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ECONOMIC PLANNING IN HUNGARY SINCE 1938

by

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GENERAL STATISTICAL INFORMATION

Territory: 93,011 square kilometers.

Population (1948): 9,207,000.

Population density (1948): 99 inhabitants per square kilometer.

Population increase (average of 1930-1941): 63,000 per year, 0.73%.

Population by industries (percentages of total - 1941): agriculture, 49%; mining, 2%; industry, 24%; distribution and banking, 5%; transport, 4%; civil service and professions, 5%; pensioners, 4%; others and unknown, 7%.

National income without rental value of dwellings (1947-48 at January 1947 prices): 19 billion forints, 2,036 forints per capita.
Agriculture, 27%; mining and manufacturing, 38%; crafts, 13%.

Arable land: 60% of total area, 5.6 million hectares, 0.34 hectare per inhabitant.

Major crops - acreage in million hectares (1947-48): wheat, 1.3; corn, 1.3; rye, 0.6; barley, 0.4.

Major crops - production in million metric tons (1947-48): wheat, 1.6; corn, 2.7; rye, 0.8; barley, 0.7.

Major minerals - production in million metric tons (1947-48): brown coal, 9.9; iron ore, 0.3; aluminum ore, 0.4; oil, 0.5.

Major industries - number of workers, yearly average (1947): iron and metal, 59,000; textiles, 55,000; engineering, 48,000; food, 39,000. Total manufacturing industry, 285,000.

Volume of foreign trade - prewar pengoes:

1938	Imports - 411 million	Exports - 522 million
1948	Imports - 254 million	Exports - 223 million

One hectare: 2.471 acres.

One prewar pengoe (1938): $0.19. Official rate: $0.294.

One forint: $0.0852.

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INTRODUCTION

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Since the end of World War II, Hungary has concluded one plan for economic development and embarked in another. The first, called the Three Year Economic Plan, was launched on 1 August 1947 and, speeded up in the course of its execution, terminated on 31 December 1949. It was followed immediately by the First Five Year Plan of the Hungarian People's Republic which began on 1 January 1950.

The Three Year Plan was introduced as a national plan of reconstruction, an emergency measure dictated by the exigencies of the postwar situation. Incidentally, it turned out to be a plan for the Socialist transformation of the country and was thus the first piece of Socialist planning in Hungary. But it was not the first national economic plan, since there had been several attempts at planning on a more or less comprehensive scale in prewar Hungary.

The purposeful interference of the state in matters of economics to ensure a more efficient utilization of the country's resources and to promote industrialization had been a standard feature of the Hungarian scene. It became even more marked in the interwar period, characterized by large-scale investments and by an accelerated tempo of industrialization, and received new impetus in 1931, with the introduction of exchange control. But there had been two economic plans proper, the One Billion Pengoe Plan of 1938 and the Ten Year Plan for Agriculture of 1942. None of them was able to run its full course as conceived. Although not comparable with the postwar plans in scope, they were serious enough. Had it not been for the war, their impact on Hungarian economic life would have been considerable, not only in increasing output and in improving the efficiency of production, but also in remolding economic organization through the extension of state controls. Several of the projects figuring in the Three Year and the Five Year Plans were based on and are the continuation of blueprints drawn up on projects undertaken under the 1938 and 1942 plans (that is, power plant of Mátravidéki, the irrigation project of the Trans-Tisza region, etc.)

A complete account of planning in Hungary must, therefore, begin with a brief summary and appraisal of the attempts at planning in 1938 and 1942.

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THE BILLION PENGOE PLAN OF 1938

In March 1938, the Hungarian Government announced that legislative steps would be taken to enable the government to carry out a Five Year Plan to improve the defensive powers of the country and foster industrial and agricultural production. The motives of the plan were twofold. One was to increase and equip the army and make up for the disparity in military strength relative to Hungary's neighbors caused by the limitations on armaments imposed by the Peace Treaty of 1920. The second was to forestall a serious setback in the boom which, started in 1933, showed signs of slackening in the second half of 1937.

Total costs were estimated at 1 billion pengoes,[1] that is, 200 [454] million pengoes per year. This meant roughly doubling the volume of investments which had swallowed up rather less than 6 percent of the national income. Six hundred million pengoes [652] were to be covered by taxes. A special progressive capital levy was introduced for the purpose and was to be paid in ten half-yearly installments. Four hundred million pengoes were to come from a loan. The first part of the loan was taken over by banks, insurance companies and business corporations, and propaganda and some pressure was used to enlist popular support.

Roughly three fifths of the billion pengoes were to serve the army and industry, one fifth was assigned to transport and communications, and one fifth to agriculture. Besides the expansion of heavy industry demanded by military considerations, the principal projects listed in the act of parliament were the following:

(a) improvement of the transport and communications system through the building of roads and bridges and other installations;

(b) speeding up the execution of an ambitious irrigation scheme, begun in 1937, involving the irrigation of 172,000 hectares[2] of land and carrying out regulatory work on rivers and inland waters;

(c) encouraging the investigation and better utilization of the country's mineral wealth and raw materials in general;

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1. One pengoe (1938) - $0.19. Official raté: $0.294
2. One hectare = 2.471 acres

(d) the fostering of agricultural production and the improving of marketing organization;
(e) improving technical instruction in agriculture;
(f) resettlement of some of the landless agricultural population;
(g) improving rural housing, health, and social services.

No detailed and comprehensive plan was drawn up and no special machinery was created to coordinate and control the plans prepared by individual government departments and agencies which usually meant the extension of their routine activities and the speeding up of the execution of projects already undertaken. It was not until 1940 that the Minister of Finance became officially the coordinator of the government's economic policy and that a Supreme Economic Council was set up, an advisory body, including, besides the heads of government departments and agencies, the under-secretaries, the assistant secretaries and the leaders of special interest groups.

The lack of a detailed plan makes it difficult to evaluate the measure of achievement and success. The exigencies created by the territorial changes of 1939-1941 and the war distorted even the faint outlines of an overall plan that could at first be discerned. This, however, is not to say that the effects of the investment program could not be felt, especially as it assumed much greater proportions than was originally intended.

Due partly to the 84 percent increase in territory and the 58 percent increase in population, partly to the pressure of war time needs, and partly to rising prices, the scope of the investment program was repeatedly extended. In two and a half years, 1.65 billion pengoes were spent and a revision of the program brought the total to be invested first to 2.6 billion pengoes, and by another revision at the end of 1943, to 4.5 billion pengoes. The capital levy which was to cover 600 million out of the original 1 billion pengoes and was to be levied in five years was all collected by the end of 1940 and new taxes and loans had to be resorted to in order to provide the additional funds required. In spite of the liquidity created by an inflationary boom, in an increasing measure the Bank of Issue became responsible for financing the scheme.

The effects of government spending were felt first of all in heavy industry. A number of plants were built which considerably increased industrial capacity. Still more would have been accomplished had the war, which reached Hungarian territory in 1944, not stopped construction work and had it not brought

destruction. The power, aluminum, heavy chemicals, rayon and oil industries owed some of their best and largest plants to the program. The achievements of the postwar Three Year Plan, and to some extent even those of the First Five Year Plan, rest on the foundations laid by the prewar Billion Pengoe Investment Program. The extent of industrialization can best be measured by the number of factory workers which increased from 289,000 in 1938 to 392,000 in 1943. By comparison, the total increase in the 1925-1938 period was from 199,000 to 289,000.

Parallel with the program of industrialization there was significant social progress, some of it financed out of funds provided by the government under the plan and some of it out of the profits of industry running in full gear as a result of government spending. Health services in rural areas were improved. State-sponsored cooperatives were started to cope with rural under-employment and the rehabilitation of peasants owning less than subsistence farms, so called "dwarf-holders." The limit, which was somewhat arbitrary, was 2.9 hectares. Paid holidays and family allowances were introduced for industrial workers, wage boards were set up to fix minimum wages both in industry and agriculture, and some progress was made in the resettlement of the landless agricultural population.

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THE TEN YEAR PLAN OF AGRICULTURE OF 1942

The second attempt at planning was the Ten Year Plan of Agriculture. It was introduced in 1941 in the form of a bill and was put into effect in 1942. The growing pressure of the war effort interfered with its execution and it came to an untimely end in the general upheaval in 1944.

The plan was more an investment than a production plan. While it counted on an increase in output, this was not specified. As regards investments, it was not an all-out effort to provide for the most urgent capital needs of agriculture in order to attain a prescribed production and efficiency level. In fact, as in the course of the execution of the Billion Pengoe Plan of 1938, emphasis shifted in favor of manufacturing industry at the expense of agriculture. The Ten Year Plan tried to restore the balance by enabling the Ministry of Agriculture to extend its current program by increasing its budget. It also authorized financial assistance to farmers in the carrying out of improvements specified in the act.

The plan provided for investments of 100 million pengoes per year over a period of ten years, giving a total of 1 billion. The annual installments were to be provided within the framework of the budget and were to be covered by ordinary revenue. But the government was authorized to mobilize funds by means of Treasury guarantees of credits, should the budgetary means be insufficient.

To appraise the sum of 100 million pengoes per annum, it must be remembered that, as a result of the territorial changes of 1939-1941, the territory of the country was 84 percent greater, the population 58 percent greater, and, due to the character of the recovered territories, the relative importance of agriculture also increased. The increase of the national income was smaller than that of territory or population.[1] Also there had been a

1. The territorial changes brought about in the period 1939-41, which substantially affected the economy of Hungary, were the following:

November 1938, under the first Vienna Award, the southern strip of Czechoslovakia was reincorporated into Hungary—12,100 sq. km., population 1.1 million.

March-April 1939, the occupation of Ruthenia, or Podkarpatska Russ, reincorporated 12,200 sq. km., population 0.7 million.

August 1940, under the second Vienna Award, the northern part of

marked increase in prices since 1938. Reduced to the prewar territory and in 1938 pengoes, annual investments would have been of the order of 30-40 million pengoes, giving a total of 300-400 million pengoes.

The act did not provide special machinery to carry out the plan. An overhaul and reorganization of the agricultural administration was proposed, a measure which in any case was overdue, but the act did not go into details. One innovation, specifically mentioned, was the appointment of agricultural officers to all the larger villages and to groups of smaller ones to control the execution of decrees of an agricultural-technical character and to give advice on agricultural matters to the local councils and the farmers. Hitherto the organization of the agricultural administration was curiously deficient, as it had officers only in larger territorial units which were too large for efficient control.

The other innovation was the setting up of the National Council of Agriculture, an advisory body, appointed by the Minister of Agriculture. Otherwise, the role of the Chamber of Agriculture did not change and the special interest groups of farmers were to continue to exercise their functions.

The powers of the minister were greatly increased. The minister could compel producers of special lines to set up organizations to represent their interests. To regulate supply and improve distribution, the minister was also authorized to set up organizations combining producers, processers and distributors to regulate production and prices with binding force for all concerned; he was also authorized to give monopolistic rights to cooperative societies or state organizations for the purchase, distribution and export of specified agricultural products.

Increases in production were to be brought about by investments, by temporary tax rebates to farmers making permanent improvements, and by greatly increasing the power of the Minister of Agriculture to compel farmers to adopt more efficient methods.

Investments included increasing the number and improving

Transylvania was reincorporated—43,500 sq. km., population 2.6 million.

April 1941, the occupation of part of Voivodina added 11,500 sq. km., population 1.0 million.

In 1941, Hungary had a territory of 172,200 sq. km., with a population of 14.7 million, against 93,100 sq. km. and 9.3 million in the Trianon territory.

THE TEN YEAR PLAN OF AGRICULTURE OF 1942 7

Investments included increasing the number and improving this equipment of agricultural colleges, improving the equipment of agricultural experiment stations, the setting up of model and experimental farms, the organization of competitions for farmers and agricultural exhibitions, the organization of group visits to efficient farms, and the establishing of scholarships for advanced study at home and abroad. The minister was also authorized to contribute to the costs of permanent improvements, planned by groups of farmers, should their costs exceed their financial capacity.

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The temporary tax exemptions which the act authorized brought benefits to farmers making investments to effect permanent improvements. Similar exemptions had long been available to industrialists.

Most important of all, to improve the efficiency of farming, the Minister of Agriculture was given wide powers to control and direct production. If he deemed necessary, he was authorized:

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(a) to dispossess inefficient farmers, guilty of gross negligence;

(b) to proceed with the consolidation of fragmented holdings without the preliminary consent of those affected;[2]

(c) to fix zones for the growing of certain kinds of fruits and the breeding of certain breeds of livestock;

(d) to compel large estates owned by public authorities, nonprofit organizations, or joint-stock companies to grow quality seeds on a certain proportion of their acreage;

(e) to compel farmers to use tested, high-quality seeds;

(f) to order the planting of wind-breaks along fields or on public grazing land;

(g) to compel farmers to grow certain crops on a fixed proportion of their acreage or to make the growing of certain crops subject to permission;

(h) to compel farmers to improve their land by means of drainage, conservation practices, manuring, etc.;

(i) to compel farmers to set up joint enterprises for soil improvement and conservation schemes requiring larger investments.

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2. Many of the small farms were not one contiguous piece of land, but consisted of a number of even smaller fields scattered over a large area. This was wasteful of land, owing to the length of boundary lines, and made efficient cultivation impossible because of the loss of time entailed in traveling from field to field. Consolidation had been making very slow progress in spite of its obvious advantages.

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The extraordinary powers were not checked by making the action dependent on the advice of some local council or by the right of appeal to local councils, except by ordinary recourse to the Administrative Court.

In the two years the act was in force, little use was made in general of the wide powers granted. A few farmers were dispossessed for gross negligence and a start was made to introduce zoning in the production of certain field crops and certain breeds of livestock. Full use was made of the power to compel farmers to grow certain crops, notably oil seeds, and also of the power to give monopolistic rights to cooperatives to buy up, distribute, and export certain crops and products.

The Ten Year Plan of Agriculture was introduced during the war and the exigencies of the war influenced it at least as much as the impact of totalitarian ideas. Its effects on agriculture were small in comparison with the effects of the Billion Pengoe Plan on industry.

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THE THREE YEAR PLAN OF 1947 - 1949

General

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The Three Year Plan was a production and investment plan aimed at raising the national income to a level about 14 percent higher than before the war. Concurrently, capacity in industry, especially in heavy industry and engineering and, to a far lesser extent, in agriculture, was to be expanded. The production and investment plans were correlated, but the increase in capacity was to be greater than the national income figures suggested. Investments which had an immediate effect on production and would eliminate bottlenecks were given priority, although many of them were long range. Nevertheless, the plan was essentially a reconstruction plan.

With the currency reform as a feather in its cap, the Communist party came forward with the idea of the Three Year Plan late in 1946. The outlines of their plan were published early in 1947. Soon afterwards the Social Democratic party produced another, far more elaborate plan, which, however, did not differ basically from the Communist plan. With some modifications, a combined version of the Communist and Social Democratic plans was accepted by the parties of the government coalition and became law in July 1947, to take effect on 1 August 1947. The main debatable issues were the share of agriculture in investments and the necessity of a foreign loan. The Social Democrats reckoned with relatively greater investments, were not against a loan and tried to keep investments in agriculture even lower than did the Communists.

One of the principal engineers of the Social Democratic plan was held to be a distinguished economist of Hungarian extraction. The plan of the Communist party was drafted by a team of Communist experts in Hungary without the master mind being known. As the chief administrators and economists of the party had all come to Hungary after prolonged residence in the Soviet Union, during which time they held responsible positions, and as there were repeated visits to and fro in the period in which the plan was taking shape, it is a reasonable conjecture that Soviet experience and influence were responsible for at least some features of the plan. Afterwards, the inspiration and guidance were freely admitted and in the course of the execution of the

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185 plan certain basic ideas, which clearly revealed Soviet influence but were not much in evidence in the blueprint, became dominant. Incidentally, one of the principal Soviet economists, held by some to be the master mind, was also of Hungarian extraction.

The plan was hardly accepted in principle when the Communist party announced that it required, and implied, the nationalization of the banking system. Other demands followed in succession extending nationalization and limiting not only private enterprise but also essential civil liberties. It turned out, and later it was openly admitted, that the primary aim of the plan was not so much to raise the national income and the standard of living by remedying the defects of capitalist production thrown out of gear after the war, but to do away with capitalist production altogether and to lay the foundations of a socialist economy.

Apart from this vital change in character, the plan itself was modified in the course of its execution. Among other things which affected only details, it was speeded up. After the first year, under a Five Months' Plan, a special drive was organized. Its aim was to quicken the pace so that the targets of the Three Year Plan could be achieved by the end of 1949 instead of July 1950. The Three Year Plan was then to be followed by a Five Year Plan.

Available information on the plan and its progress is very limited. The plan itself was published in some detail and the first progress report, covering 1947-48, was also a fairly detailed document, although it left many questions unanswered. No details were published of the Five Months' Plan or of the modified 1949 plan and the Final Report, issued after the completion of the Three Year Plan in twenty-nine months, was a meagre document which failed to give information on most of the essential questions and did not go into details.

A statistical blackout was declared in Hungary in the middle of 1948 and while a statistical bulletin continued to be published until the middle of 1949, most of the series were discontinued or were published in a revised format, as percentages, often with changing bases.

A paper published by the president of the National Planning Office gave some summary information not contained in the official Final Report but was far from being comprehensive and complete. A book[1] on the Three Year Plan, published by the

1. Zoltan Vas, "A haromeves terv befezerése - nepunk gyozelme," Tarsadalmi Szemle, Vol. V, No. 3 (1950), pp. 131-151.
Zoltan Vas, "The Completion of the Three Year Plan - a Victory of

same authority, is unfortunately not available in this country. 185 X

The analysis of the Three Year Plan is thus based on material that leaves very much to be desired. However, where possible, indication was given of progress made in the interwar period and during World War II and it is hoped that these data, not generally accessible, will supply a background for a realistic appraisal of the plan and its achievements.

Machinery of the Plan[1]

The plan, in the form accepted and made into law, contained only broad outlines. However, machinery was set up to work out the details and to control the execution of the plan. This machinery provided a National Planning Board, an advisory body consisting of an equal number of representatives of all the parties of the government coalition and representatives of various organizations like the Trades Union Council, National Center of Cooperatives, etc. Its resolutions were not binding unless endorsed by the Supreme Economic Council or the Cabinet. 471

The actual work of elaborating the details of the national plan and coordinating within its framework the plans which the individual establishments had to prepare was the duty of the National Planning Office, a government department. When set up, its head was a collaborationist Social Democrat and its secretary-general was a Communist. Most, if not all, key posts were filled by Communists. The Planning Office was given power to control all investments. None of any size could be made by any corporation, not even out of its own funds, without the permission of the Planning Office.

To control the execution of the plan, each establishment was required to appoint a plan agent whose duty was to report on progress made and factors preventing or retarding progress.[2] The Investment Bank, set up to replace one of the nationalized commercial banks, was an additional instrument of control. [454] However, as it had no funds and no policy of its own, it was only the accountant and the cashier of the Planning Office. More important was the role of the reorganized Bank of Issue which became the banker of nationalized industry with special functions and powers. [453]

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our People," Social Review, Vol. V, No. 3 (1950), pp. 131-151.

2. Early in 1949, after the large-scale nationalization of industry, the plan agents were removed and their functions were transferred to the managers of the establishments who were appointed by the government.

1 [i.e. the Three Year Plan of 1947-1949]

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471 For a while there were signs of rivalry between the Planning Office and the Supreme Economic Council, also a Communist-controlled body, which ended in the victory of the council. However, in 1949 the council was abolished, its staff was detailed to various ministries and government agencies, while its policy-making functions were transferred to a newly-created People's Economic Council, representing the major parties of the National Front of Independence under the chairmanship of a very powerful Communist Minister of State. The council counts several cabinet ministers among its members but is not a sub-committee of the Council of Ministers. It decides economic policy at the highest level and is the highest authority in matters of planning.

[687] When the plan was embodied in law, the government was authorized to issue all decrees necessary for the execution of the plan. Contravention of these decrees and, in general, obstruction to executing the plan were made a crime liable to severe punishment, even death in the case of serious sabotage. The punitive measures were later reinforced. Besides the statutory instruments of control, the government had other means to enforce the plan. Through successive nationalizations, the government became by far the most important single employer and its powers of black-listing were enormous. Besides, a general system of licenses restricted to a minimum free economic activity of any sort. Extension of this permit system to the purchase and lease of agricultural land made the system watertight.

[467] The party-dominated trade-unions and works councils were also important instruments of control. They were active in enforcing discipline, increasing output, and reducing costs, in marked contrast to their role in prenationalization and pre-plan days. Their control of the labor exchanges gave them complete power over workers of all grades as nobody could accept a work contract without the endorsement of the trade-unions.

471 461 An effective instrument to increase individual and collective output was the sharply graded piece-rate system with its constantly raised standards of output. Competitions were organized between different establishments and between departments of the same establishment with prizes and privileges awarded to the winners. The foundations were laid for the Hungarian Stakhanovite movement. Considerable material and social privileges were granted to the winning shock-workers who were then obliged to instruct their fellow workers in an effort to speed up production. The record output, achieved under special

conditions, was then used as an excuse for raising the "obsolete" output rates. In addition, every suitable occasion was used for the organization of special drives which, as the dates and the occasions were political (e.g. Day of Liberation, Stalin's birthday, etc.), made it easy to brand those who failed to improve their output as reactionaries and saboteurs. A more spectacular, if not more efficient, instrument was the institution of competitions between different establishments and even between different departments of the same establishments with prizes and privileges granted to the winners. Material and social privileges were granted to shock-workers and every suitable opportunity for special drives was used to spur the masses into greater effort.

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National Income[3]

The plan aimed to achieve a 78 percent increase of the national income in three years. A 31 percent increase in the first year was to be followed by increases of 18 percent and 15 percent respectively in the two succeeding years.

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In 1946-47 the national income recovered somewhat from its great drop in 1945-46 to less than 50 percent of prewar to about 65 percent of that level. The Three Year Plan was to bring it to 85 percent of prewar in the first year and 14 percent above the prewar level by 1949-50.[4]

No great change was planned in the pattern of the national income. The planned increase in agricultural production (net output) of 62 percent in three years, would still leave it somewhat below prewar (1938) level. On the other hand, the 34 percent increase in mining and metallurgy would leave it below the 1943 level although 49 percent above prewar, due to the wartime

3. The principal figures are summarized in Table I in the Appendix. 1/1

4. The blueprint operated with a national income, including the rental value of dwellings and some other minor items, mostly services, and used provisional estimates for the national income of 1946-47. The report on the first year of the plan omitted the rental value of dwellings and the other small items from the national income and used final figures for 1946-47. The omitted items amounted to 4 percent of the total. The percentages given in the text were based on the blueprint, except that the national income was made to conform with the concept used in the report.

The report gave the expected rise in the first year over 1946-47 as 34 percent and the level of the national income in 1946-47 as 63 percent of prewar. Change of definition or different grouping often makes comparisons difficult if not impossible.

1/1 [See cat. 116, p. 67 — Analyst]

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185 434 expansion of coal, oil, and bauxite production in 1938-1943. The 106 percent increase in power and manufacturing would bring production of these branches of the economy to 30 percent above the prewar or roughly to the 1943-44 level. The relative importance of the major branches of production was to remain practically unchanged, if not in relation to 1938, in relation to 1943.

Productive capacity in mid-1947 was greater than the national income figures suggested. With the worst of the war damage repaired, increased production depended mainly on the regular flow of raw materials and improved discipline and output in the plants. If existing bottlenecks could be eliminated, the production aims and the accompanying rise in the national income required great and concentrated effort but were not unattainable.

The report on the first year of the Three Year Plan claimed that with production in agriculture slightly below, and mining and manufacturing slightly above the goals, the aims of the first year had been realized. The volume[5] of the national income was 3 percent higher than expected, and had reached, with 18.7 billion forints, a level 87 percent of prewar (21.6 billion forints). As housing had made little progress, the change in the definition of the national income made the increase relative to the previous year and to prewar level appear to be slightly higher than it would have been otherwise.

The Final Report on the Three Year Plan claimed that in the period of two years and five months the national income rose by 97 percent against the planned 78 percent in three years, and reached a level 24 percent higher than prewar against the planned 14 percent. On the basis of these percentages (at January 1947 prices) it must have reached 26.8 billion forints. This corresponds to an average rate of increase of 30 percent per year.

It seems that both the report on the first year and the Final Report exaggerated the rise of the national income by not allowing enough for replacement, by making rather favorable assumptions concerning the ratio of input to gross output and by failing to account for the increase in inventories which must have been considerable.

Replacement in agriculture, 93 million forints, was slightly smaller than the figure budgeted; and both the budgeted and the

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5. Unless stated otherwise, volume means "valued at January 1947 prices." For purposes of comparison both the blueprint and the first year report gave the volume of the prewar national income at 1946-47 and at January 1947 forint prices.

actual figures were only slightly higher than the prewar figure of 90 million forints, and this after the wear and tear of the war. A more realisitic estimate might be up to 30-40 percent, 30-40 million forints higher.

In mining, changes in the structure of the industry, the development of bauxite, and oil production make comparisons with 1938 difficult. The sum budgeted, 98 million forints, was 17 percent higher than the prewar figure (84 million), and was, in fact, slightly exceeded (103 million); but even here a 30-40 percent increase, 30-40 million forints, would perhaps be reasonable.

Replacement in the manufacturing industry was figured at 292 million forints and rose to 362 million in 1949-50. Before the war 404 million forints were deducted from the gross output of industry to allow for replacement. Industrial capacity had increased between 1938-1943 by at least 20-25 percent; and use was, if anything, heavier than normal while replacements were neglected. Thus, if 404 million forints were a realistic estimate in 1938, the postwar figure ought to have been between 500 and 600 million, requiring an addition of 200-300 million forints.

In agriculture the ratio of input (agricultural products used in production) to total gross output was given as 1:3.35 in 1938, a very good year. The blueprint called for ratios of 1:3.75, 1:3.83 and 1:3.87 in the three years of the plan period. For 1946-47 the ratio of 1:3.59 was used. But in the years 1924-25 to 1936-37 it varied between 1:2.3 and 1:3.0. After the war, due to the loss of livestock, a larger part of the output consisted of field crops and at the same time average yields were lower. Both in livestock and in field crops the prewar per unit yields were not expected to be reached even in 1950, the last year of the plan. It is difficult to understand how, under such conditions, the ratios could be expected to be more favorable in the postwar years than before the war. With the use of a more realistic ratio, say 1:3.0, the net output of agriculture becomes 500-700 million forints smaller.

In manufacturing the report on the first year assumed that the ratio of value of raw materials to gross output was the same as before the war, again a rather optimistic assumption. Even the ratio given for 1946-47, 1:1.98, looks too favorable against the prewar ratio of 1:2.04. In 1946-47 reconstruction work in the plants must have decreased the ratio, while in later years the shift to the production of goods of a cruder type must have affected it. A comparatively small change in the ratio involves a reduction of the net output by 400-500 million forints.

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

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Considering all these facts in relation to the size of the national income, it seems probable that the true net income was some 1.2-1.5 billion forints, about 5 percent smaller than the figure cited in the reports. Thus the improvement relative to prewar standards becomes somewhat less impressive. The true national income of 1947-48 appears as 17.4 billion forints, 81 percent of prewar, and that of 1949 as 25.5 billion, 118 percent of prewar. The effect of the failure to account for the increase in inventories, a most important matter, will be discussed below (cf. Standard of Living).

The increase in volume was brought about by a large improvement in production in the mining and manufacturing industries, especially in heavy industry.

The pattern of the national income changed to some extent largely because of the poor performance of agriculture, which was below that of prewar. The share of agriculture was only 27 percent, while the share of industry was said to be 49 percent. The prewar shares were given as 37 percent and 42 percent respectively.[6]

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More significant was the change in the relative shares of the capitalist and socialist sectors. In 1946-47, before the plan started and nationalization assumed serious proportions, the socialist sector was responsible for 25 percent of the national income; in 1949 its share rose to 54 percent. The slow progress of collectivization dragged the figure down. Otherwise in industry the socialist sector accounted for 78 percent, in transportation for 84 percent, in distribution for 59 percent, and in agriculture for 5 percent of net output.

Official statements are reticent about the value of the national income at current prices. A provisional estimate put the 1947-48 national income at 26-27.0 billion forints which was about 50 percent higher than the volume at January 1947 prices. If the same ratio can be applied to 1949, the national income for that year must have been near 40 billion forints. Available information suggests that prices increased, in which case the probable value of the national income at current prices may have been higher because the change in prices affects the national income.

Investments[7]

The plan envisaged total investments in three years of 6.6

6. These percentages were given in the papers of Vas and Nagy and may be presumed to be comparable.

7. The principal figures are summarized in Tables II and III in the Appendix.

2 [See category 116, pp. 39-43 — Analyst]

The plan envisaged total investments in three years of 6.6 billion forints in staggered installments of 1.8, 2.2, and 2.6 billion forints.[8] This represented new investments over and above maintenance and depreciation, and exclusive of increases in livestock and inventories.

In the blueprint the necessary increase in inventories was estimated as 30 billion forints, a rather low estimate. The very detailed plan of the Social Democratic party put it at 6.5 billions. As inventories were a fraction of their prewar volume when the plan was launched, and their increase was a prerequisite to high level economic activity, the figure in the Social Democratic plan would appear to be a more reasonable estimate, in spite of its staggering size. With this addition the burden of investments becomes roughly twice as high.

In the interwar period investments fluctuated between 3 and 7 percent of the national income which was probably an underestimate;[9] but there were no "international liabilities" or reparations to pay which in 1947-48 were expected to absorb slightly less than 6 percent of the national income. In fact, they amounted to nearly 7 percent of the national income.

The plan did not a priori exclude a foreign loan and even listed certain additional investments should a foreign loan become negotiable. But it is safe to say that a foreign loan was never seriously considered.

Taking the period as a whole, 67 percent of the total investments were to be met out of Treasury funds, 18 percent from the funds of local authorities and other public bodies like the National Social Insurance Scheme. The balance of investments were to come from the following: four percent from cooperatives, 2 percent from the mixed Soviet-Hungarian companies, and 9 percent from private sources. In the first year the proportion supplied by public funds was to be greater than in the next two.

The increased volume of savings was to provide the funds needed to build up inventories.

Government revenue was to be increased from 2.4 billion

8. At the official rate one forint is worth $0.0852. The forint was overvalued in relation to the hard currencies.

9. A detailed unpublished study of the National Bank put them in 1937-38 at 575 million pengoes, some 2,300 million forints, which was over 10 percent of the national income. The valuation of real investments in agriculture was one of the main sources of the difference. The yearly increase in inventories was estimated at 180-200 million pengoes, about 700-800 million forints.

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

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forints in 1946-47 to 4.7 billion in 1947-48 and finally to 6.2 billion in 1949-50.[10] A special tax was to be introduced with a total estimated yield of 1.7 billion forints, over 500 million in the first year and over 600 million in the third. It was expected that 85 percent of the total investments of the state would be covered by tax receipts.

Out of the total of 6.6 billion forints agriculture was to receive 2.0 billions, mining and manufacturing industry 1.7 billions, transport and communications 1.7 billions, and 1.2 billions were to be spent on building, excluding industrial construtions. In the first year, while total investments were to be 1.8 billion forints, less than one third of the grand total for three years, investments in agriculture were to amount to 0.6 billion, in industry to another 0.6 billion, in transport and communications to 0.4 billion, and in building to 0.2 billion.

The share appropriated for agriculture was actually much smaller than these figures indicated because some of the investments listed under "agriculture" were to be spent on expanding industrial capacity which would benefit agriculture - the production of tractors, fertilizers, etc., and also on building roads in rural areas and supplying villages with power, etc. Without these, agricultural investments proper, including private investments of farmers, were to amount to around 1.0 billion forints, only half of the sum allotted in the official plan.

In the first year the budgeted sums were exceeded all along, partly due to a rise in prices which brought the official wholesale price index up by 10 percent in spite of price controls. At current prices investments totaled 2.5 billion forints, an increase of 39 percent over the sum budgeted. It was claimed that the volume of investments was about 11 percent greater than originally planned. Both figures excluded the increase in inventories.

In 1949 actual investments, without the increases in livestock and inventories, absorbed 18.7 percent of the national income, against 10 percent as planned. As the national income was 26.8

10. When the details of the plan were being worked out the 1947-48 budget was not yet ready. Actually it worked with total expenditures of 5.3 billion forints (excluding expenditures of state-enterprises) and provided 800 million forints for investments. The report gives 6.3 billion forints for actual total expenditures and 833 million for total investments out of Treasury funds which do not agree with the figures of the closed accounts of the government. There investments are given as 562 million forints. Actual expenditures in 1946-47 were 4.0 billion forints.

billion forints (at January 1947 prices), the volume of investments must have been 4.8 billion forints. It was stated that an additional 5.3 percent, 1.5 billion forints, went to increase inventories, thus total investments absorbed 23.7 percent of the national income and amounted to 6.3 billion forints.

With such tremendous effort the per capita net investments in Hungary were less than one third of those in the United Kingdom, slightly more than half of those in Western Germany, and half of those in France where they were much smaller in relation to the national income.[11]

Taking the plan period as a whole, actual investments at current prices amounted to 10.3 billion forints, which was 56 percent more than originally planned, while the volume of investments was 25 percent greater and amounted to 8.3 billion forints.

There have been great changes in the financing of the plan, both in the first year and in the period as a whole. In the first year state investments exceeded the budgeted sum by 7 percent, the sum total amounting to 1.4 billion forints. While ordinary revenue yielded a much larger sum than was budgeted, the yield of the special capital levy was much less than expected and the plan loan had to be dropped altogether. Thus about one third of the public investments had to be financed out of credits, a far larger proportion than planned. Investments by local authorities and other public bodies exceeded the budgeted sum by 96 percent. On the other hand, the investments of the mixed Soviet-Hungarian companies were only 65 percent of the budgeted sum, an illustration of their special standing in the Hungarian economy. The cooperatives lagged behind even further. On the other hand, private investments were nearly 3.5 times greater than budgeted, in spite of the large-scale nationalizations in March 1948. Over 40 percent of private investments consisted of investments by farmers which also exceeded the budgeted sum. These facts contrast oddly with the charges of sabotage leveled against industrialists and farmers.[12]

As a result of the changes in the total and the varying rates

11. Cf. U.N. Economic Commission of Europe, "Economic Survey of Europe," (1949).

12. The report obscured the large amount of private investments by adding private investments in manufacturing industry prior to the nationalizations, 142 million forints, to state investments in industry reducing the sum total of private investments from the true 418 million forints to 276 millions and increasing total state investments in industry from 353 million forints to 495 millions.

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of increase in the sub-totals by main groups of investors, the pattern in the first year showed the following picture against the blueprint.

	Percentage of total, first year	
	Planned	Actual
State	73.8	57.1
Local authorities	15.0	21.2
Cooperatives	2.0	0.9
Mixed Soviet-Hungarian companies	2.4	1.1
Private investments	6.8	16.8
Others (foreign credits)	---	2.9
Total percentage	100.0	100.0
(Total, billion forints)	(1.8)	(2.5)

The very meagre Final Report and the papers published on the plan do not give any details on finances. Private investments must have dwindled to an insignificant sum, partly as a result of the large-scale nationalizations of 1948-49, partly as a result of the impending collectivization of agriculture which dried up the most important source of available private funds. Actual investments out of budgetary means reached 4.3 billion forints, against 3.3 billion as budgeted. Total state investments may have amounted to 6-7.0 billion forints.[13]

The large increase in note circulation in spite of drastic changes in the pattern of payments designed to curb the use of cash seems to suggest that the Bank of Issue bore a much larger share than was originally planned or was justified. The fact that the plan loan, dropped in 1947-48, was resorted to in September 1949 to bring in 500 million forints, can be taken as a further indication that purchasing power needed tapping.[14]

13. Total investments 10.3 billion; investments in first year 2.4 billion; investments in the last five months of 1948 assumed to be pro rata about 30 percent greater than in 1947-48.

14. Officially to raise funds for the Five Year Plan to start several months later, the plan loan brought in 753 million forints and was a forced loan as all people with fixed incomes had to contribute their predetermined share deducted in monthly installments. As investments under the Five Year Plan were to total 8.2 billion forints in the first year, the loan could not contribute substantially towards financing it. But its effect on available purchasing power must have been noticeable. Before the loan was launched the note circulation was 3.3 billion forints, against 1.6 billions on 31 July 1947, the day before the Three Year Plan was started.

There have also been significant shifts in the absolute and relative size of allocations. In the first year the sums spent on building, excluding industrial construction, were nearly twice as high as budgeted. Manufacturing industry exceeded the budgeted sum by 50 percent, transport and communications by 28 percent, agriculture by 18 percent, mining by 15 percent. The final picture looks different. Manufacturing industry, including mining, tops the list with an excess of 84 percent. Next comes building with 58 percent and agriculture with 50 percent. In transport actual investments were 18 percent higher than budgeted.

The distribution of the sum total invested in the whole period of 29 months was the following:[15]

	Percentages of the total	
	Planned	Actual
Agriculture	30.4	31.6
Manufacturing industry, inc. mining	26.5	29.0
Transport and communications	25.4	19.0
Building	17.7	17.9
Others	---	2.5
Total percentage	100.0	100.0
(Total, billion forints)	(6.6)	(10.3)

It has to be noted that, as was pointed out above, roughly half of the investments officially listed under "agriculture" come properly under the other headings.

Agriculture

In agriculture the plan counted on an increase in gross output from 7.55 billion forints in the first year to 8.97 billion by the end of the third. The prewar value was 10.43 billion, the 1946-47 value 5.76 billion forints.

No startling changes were planned in crops and those scheduled were in line with the prewar policy which sought to decrease the total acreage under cereals, notably wheat, and to increase that under cash and fodder crops. A moderate decrease in the acreage of wheat, rye and oats was to be offset by a relatively smaller increase in the acreage under barley, corn, potatoes, sugar beet, and a much larger increase in the acreage under oil

15. The details of the investment program are given in Tables I and III in the Appendix.

185 x 241 seeds. The expected yields per unit of land were cautious estimates and were all lower than the prewar yields. At January 1947 prices the total value of field crops was to reach in 1949-50, 4.3 billion forints against 4.7 billion in 1938-39. In the first year only a 3.7 billion yield was expected.

185 x 231 Livestock, which had suffered more from the war than crop farming, was to yield 2.8 billion forints in the first and 3.9 billion in the third year, against the prewar 4.5 billions. This included the expected increase in livestock which, realistically, was to exceed the prewar figure and was to bring the cattle population from 1.1 million head in 1946 to 1.3 million in 1950 — milch cows from 604,000 to 780,000, horses from 399,000 to 630,000, both below the prewar figures. Pigs were to number 5.9 million, against 3.4 million in 1946 and 5.2 million in 1938.

185 x 242 Agricultural investments out of public funds were to include such activities as extending the acreage of irrigated land, the mechanization of agriculture, consolidation of the scattered strips of small holdings, soil improvement, the purchase of pedigreed breeding stock, the reconditioning of plant and livestock breeding stations, extending agricultural education, etc.

Considering the scope for improvements, the sums provided were small and, in view of the urgency of other tasks, it was questionable whether it was wise to give such high priorities to expensive irrigation schemes and the electrification of villages.

185 x 241 Due to unfavorable weather, crops in the first year did not come up to expectations. Although there was a 24 percent increase in output relative to 1946-47, achievement was below the modest goals of the plan. But achievement fell short of the plan even where it need not have done so. Cropping differed markedly from that planned. There were few crops where the acreage planted was not either considerably below or above that planned. Even the planned small changes in cropping ran counter to the natural predilections of the peasant farmers.[16] A rather puzzling result was that the increases in both livestock population and meat production were claimed to have exceeded their goals by over 30 percent.

What happened in 1949 is less clear, because agriculture is dealt with rather summarily in the Final Report and other information available. Crops reached, in the aggregate, 89 percent

16. Peasant farms tended to be self-sufficient and even quite small farms had a higher proportion of their arable acreage under bread grains than the larger estates. They did not go in extensively for commercial and fodder crops.

8: Schweng S-4,5 (no date) 1951 EC1 Hungary EC1

of the mark set. However, this had been set at only 87 percent of prewar. Thus crops could be 77 percent of prewar, apparently due largely to the poor yield of corn and potatoes. The per unit yield of wheat was exactly as high as planned, 1.3 tons per hectare (prewar average over 1936-40, 1.48 tons per hectare); rye was slightly better than expected, 1.15 tons per hectare, the same as prewar.[17]

Against the poor results in crop farming, the livestock figures as reported are surprisingly good, especially in view of the fact that the plan did not run the full three years but only 29 months. The cattle population is supposed to have reached 2.1 million head which is 26 percent higher than the figure planned for 1950 and 10 percent higher than the prewar figure. The pig population was claimed to have increased two and a half times in the plan period, but no dates were given. Without them the increase is meaningless and no estimate of the actual size is possible because of the large seasonal variation. It was stated that at the same time there had been a 78 percent increase in per capita meat consumption. The number of horses increased more slowly than expected and was 74 percent of prewar, against the expected 78 percent.

Investments in agriculture, both direct and indirect, were budgeted at 2.0 billion forints in three years, 0.58 billion in the first year. In the first year actual investments exceeded the budgeted sum by 18 percent, largely because of the substantial private investments of farmers. Total agricultural investments in 29 months amounted to slightly less than 3.0 billion forints, 50 percent more than budgeted and the volume of investments was claimed to have been 34 percent greater than planned.

The most important result of the investment program was the establishment of 221 tractor stations with 3,800 tractors and a large amount of other agricultural machinery. Altogether some 4,500 tractors were added to the stock of 12,500. Other investments include the increase of the irrigated acreage by 15,000 hectares to a total of 26,000 hectares,[18] the setting up of sixteen stations for plant breeding and seventy-three stations for artificial insemination,[19] the building of 40,000 cubic meters of silos, and the reforestation of 59,000 hectares. As to indirect

17. For changes in the volume of aggregate output, see Tables IV, Va, and Vb.

18. Mainly for the growing of rice. Rice is now grown on 14,000 hectares, against 5,000 hectares before the war.

19. Sixty-two for horses, ten for cattle, one for sheep.

investments in agriculture, the building of an estimated 120,000 cottages, mostly out of private funds, and the electrification of 500 villages are cited, besides the reconstruction of a large fertilizer and explosives works, the enlargement of a big tractor and armored car plant, etc.

A rather surprising achievement was the great increase in the area of the state-owned estates to 312,000 hectares from 151,000 hectares in 1938. In addition, 213,000 hectares were farmed by collectives. As all the forests became state property in 1945 and the state also owned fisheries and other agricultural property, the total "collective" sector in agriculture covered 1.5 million hectares—18 percent of the total acreage and 7 percent of the acreage under crops.

Mining and Metallurgy

The plan aimed at raising the value of the gross output of mining and metallurgy from 1.1 billion forints in 1946-47 to 1.2 billion in the first year and 1.5 billion in the third when a level 38 percent above prewar was to be reached. The prewar output was 1.2 billion forints. As there had been considerable development in the years 1938-44, and the gross output may have been near the 2.0 billion mark in 1944, the mark set was somewhat lower than the level that had been reached.

The goals looked more formidable when compared with the output in 1946-47, although recovery in mining, especially coal, had been fairly quick. They are set out in the following table:

Output, million tons

	Planned		Actual		
	1949-50	1947-48	1946-47	1948	(1943)
Coal	11.60	9.30	7.75	9.34	(12.70)
Iron ore	0.28	0.21	0.21	0.30	(0.34)
Bauxite	0.40	0.22	0.25	0.54	(1.00)
Oil	0.66	0.54[20]	0.64	0.04	(0.84)

For the development of the mining industry, 493 million forints were earmarked. This sum was to be used for the reconditioning of existing mines, some mechanization of coal mining, the developing of new pits, and the building of two flotation plants to utilize low-grade ores.

20. Oil production was forced during the war under German pressure and was maintained at a high level under Russian management in 1945-47. It had to be reduced in order to prevent the untimely exhaustion of the wells.

In the first year the budgeted sum was exceeded by 15 percent, but no information is available concerning the final sum spent. In the Final Report, no separate figures are given for mining which is lumped together with heavy industry. It was claimed that seven new pits had been opened; progress had been made with mechanization and two flotation plants had been built to utilize low-grade ores.[21]

Production in the first year increased considerably and, except for oil, exceeded the aims set, especially in manganese ore. The output of coal reached 9.9 million tons, iron ore 258,000 tons, bauxite 400,000 tons, and oil 496,000 tons. For 1949 only percentages are available. Translated into quantities, production appears to have reached 11.8 million tons in coal, 339,000 tons in iron ore, 561,000 tons in bauxite, and 503,000 tons in oil. Compared with the targets set for 1949-50, the output of iron ore and bauxite were considerably higher than originally planned, the output of coal was slightly higher, while oil was 24 percent less.[22]

According to the text of the plan, metallurgy ranked second only to mining in importance. The aim was to raise the production of pig iron from 258,000 tons in 1946-47 to 360,000 tons in the first year and to 420,000 tons in the third; steel production from 510,000 tons to 660,000 tons, and 800,000 tons respectively. Production in 1938 amounted to 335,000 tons in pig iron and 647,000 tons in steel and reached 417,000 and 776,000 tons respectively in 1943. Besides increasing output, efficiency of production was to be improved through the reconditioning and modernizing of the plants, undertaking the production of ferromanganese and resuming the production of ferrosilica.[23]

Investments in metallurgy were to total 26 million forints in the first year and 58 million forints in three years. In addition, 20 million forints were to be invested in aluminum metallurgy and 166 million in the processing of bauxite.[24]

It was aimed to raise aluminum production from 3,700 tons in 1946-47 to 5,000 tons in the first year and 12,000 tons in the

21. One in Ozd for iron ore and one in Diosgyoer for manganese.

22. For volume of aggregate output see Tables IV, Va and Vb in the Appendix.

23. Before the war Hungary exported low-grade manganese ore and imported ferromanganese. The ferrosilica plant (Zagyvarona) was destroyed during the war.

24. Investments in metallurgy are scattered under various sections. Iron metallurgy is a section by itself, aluminum metallurgy appears under the iron and metal industry, the processing of bauxite into aluminum oxide under the chemical industry.

third. Prewar production was only 1,500 tons, but by 1943 it had increased to 7,900 tons. To achieve the increase in production, the two plants producing aluminum oxide were to be enlarged and a third large plant constructed, the largest single project of the Three Year Plan, the cost of which was estimated at 150 million forints.[25]

Reports on the plan claimed that the furnace for the production of ferromanganese was completed in the first year and that the ferrosilica plant had been reconstructed with a capacity of 2,200 tons.[26] The two aluminum oxide plants had been enlarged but were not used to full capacity. No reference was made to the third large aluminum oxide plant planned.[27]

Production developed, on the whole, as planned, in spite of minor setbacks in the first year when production of pig iron was 343,000 tons, slightly less than planned. But steel was above the goal with 719,000 tons. In 1949 on the basis of the percentages given, production appears to have been much higher than originally planned for 1949-1950. Output of pig iron was reported at 428,000 tons, of steel at 890,000 tons, and of aluminum at 14,000 tons.

Power

Power, a continuing bottleneck, became an even more serious one after the war, due to war damage and the dismantling for reparations of some of the most efficient modern power plants and of a large 128,000 KW plant constructed but not completed during the war. At the cost of 200 million forints, a number of less efficient plants were to be reconditioned, the dismantled plants rebuilt, including part of the 128,000 KW plant, and the output of power was to be increased in three years to 2.0 billion KW hours, 43 percent above the 1938 output of 1.4 billion KW hours. Here again reference to 1938 gives a misleading picture because output reached 2.1 billion KW hours in 1943.

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25. Construction of the plant was started in Almasfuezitoe in 1941, but the work had not been completed by 1944, and there was also war damage through Allied bombing. Originally earmarked for dismantling for reparations, the plant was finally left in Hungary, became Russian property under the Potsdam Agreement and as a Soviet asset was turned over to the Soviet-Hungarian Aluminum and Bauxite Company set up in 1946.

26. The ferromanganese furnace is in Diosgyoer, the ferrosilica plant (capacity 5,000 tons) in Zagyvarona.

27. The two plants are in Ajka and in Magyarovar. The third is in Almasfuezitoe.

In the first year work was started on two of the most important plants mentioned in the blueprint and it was expected that they would be put into commission in 1949.[28] The Final Report claimed that both had been completed. In addition one power plant was enlarged and five were reconditioned.[29] Altogether 47,000 KW have been added to the capacity of the power plants, which in 1946 totaled 1.1 million KW. In addition, work was started on two other plants, one using natural gas and the other low-grade coal.[30]

Costs were greater than expected and in the first year the budgeted figure was exceeded by 186 percent. There is no information concerning the final figure.

Output of power was 1.9 billion KW hours in the first year against the planned 1.6 billion KW hours, and was claimed to have reached 2.2 billion KW hours in 1949, exceeding the goal set for 1949-50 by 20 percent.[31]

Manufacturing Industry

The gross output of manufacturing industry, excluding power, was to be raised to 11.4 billion forints in the first year and to 16.5 billions in the third, against 13.1 billion forints in 1938 and 7.5 billions in 1946-47. For individual industries the planned increases ranged from 3 percent in leather to 64 percent in engineering. Wartime development had been concentrated in the iron and metal industries and in engineering where, under the pressure of reparations, the rate of reconstruction had also been the quickest. As a result, relative to the level reached in 1946-47, the planned increases became markedly different from those relative to the level in 1938. They ranged from 8 percent (chemicals) to 143 percent (clothing industry). In the iron and metal industries and engineering the required increase was 30 percent. In the light of capacity and level of production in 1938 and 1943 and the capacity available in mid-1947, the aims did not seem unattainable, provided the flow of raw materials could be assured and individual output improved.

In the first year manufacturing industry exceeded its global goal by 4 percent. Results for individual industries were below the planned figure in textiles, clothing and the food-processing industries. All the others exceeded their aim by 7-56 percent. Heavy industry had an excess of 23 percent to its credit.

28. Mátravidéki in Loerinci and Csepel.

29. Diosgyoer, Komlo, Salgotarjan, Debrecen, Kecskemet, Satoraljaujhely.

30. Lovaszi and Varpalota.

31. For changes in volume of output, see Tables IV, Va and Vb.

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In 1949 production, including power, is claimed to have passed the goal set originally for 1949-50 by 21 percent. Thus the value of industrial production at January 1947 prices must have been 20.8 billion forints, against the expected 17.2 billions, 52 percent higher than in 1938, when only a 27 percent higher output was planned. Leather was the only industry where the output was below that of 1938 by 12 percent. In the others the excess ranged from 11 percent (textiles) to 112 percent (engineering). The figures reveal a shift in production from consumer goods to construction goods, but not without the loss in quality which accompanied the drive for high physical output and was the subject of numerous complaints. The output claimed is decidedly very high but not improbably so. Available published sources do not contain enough detailed information for checking it.[32]

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The original investment program in the manufacturing industry, excluding power, totaled 944 million forints for the full period. The items classed under agriculture meant some additional 200 million forints. Of this total 456 million forints, or, with the appropriate addition, about 500 million forints were to be spent in the first year.

In the first year industrial investments exceeded the budgeted sum by over 52 percent. The chemical industry was the only one where the budgeted figure was not reached. The excess was not uniform and ranged from 9 percent (paper) to 220 percent (food). In the most important group, in the iron and metal industry and in engineering, the excess was 24 percent.

The final figure for the whole 29 months was over 3.0 billion forints, more than three times higher than that budgeted in spite of the shorter period. The volume of investments was claimed to have been 37 percent greater than planned.[33]

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32. Tables IV, Va, and Vb give the volume of output of the principal industries, and Table VI the physical output of the principal products computed on the assumption that the percentages given in the Final Report and the other sources used were based on constant prices or physical output. ↑

33. The blueprint, the First Year Report and the Final Report of the Three Year Plan are not consistent in classification and detail. Mining, metallurgy and power are not always separately given. The 3.25 billion forints given in the Final Report as industrial investments include mining, metallurgy and power, but do not include those investments in agriculture which ought to have come under the manufacturing industry. The 3.0 billion forints given above is a rough estimate. Originally it was to be about 1.7 billion forints.

↑ [see cat. 116, pp 70-72 — Analyst]

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The report lists the following more important investments:

New construction:

- Assembly plant for railway trucks (Ganz Works, Budapest)
- Assembly plant for shipyard (Ganz Works, Budapest)
- Plant for the manufacture of carbon black from natural gas
- Sulfuric acid and caustic soda works (Hungaria Works, Budapest)

Reconstruction and extension:

- Ironworks in Csepel, Diosgyoer, Ozd
- Ganz Iron Works in Budapest
- Ganz Shipyard in Budapest
- Ganz Electrical Engineering Works in Budapest
- Hoffher-Schrantz Engineering Works in Budapest
- United Electrical Bulb and Radio Tube Works in Budapest
- Nitrogenous Fertilizer Works in Pet
- A number of plants in the medicinal drugs industry
- A number of plants in the synthetic paints and dyes industry

Some plants are listed in the blueprint which are not mentioned in the summary of the Final Report, although their construction and/or expansion had been reported elsewhere. The more important ones are the following:

- Steel pipe and tube works. Expansion. (Manfred Weiss Works, Csepel)
- Aluminum rolling mill and foundry. Expansion (Ibid.)
- Aluminum oxide plant. New construction. (Almasfuezitoe)
- Plant to manufacture anodes. New construction.
- Refineries. Expansion.
- Cotton mills. Expansion and new construction. (Budapest, Pestszentloerinc, Szeged)
- Rayon manufacture. Expansion (Nyergesujfalu)
- Plant for the making of cellulose from agricultural by-products. New construction. (Csepel)
- Coal distilling plant. New construction. (Pecs)
- Electrolytic copper plant. (Csepel)

The list is not exhaustive, and no complete list can be drawn up as no complete list on the planned construction and expansion work has been published.

185 454 No details are given concerning capacity, except in a few isolated cases. On the basis of eyewitness accounts, some of the reconstructed works, notably the Ganz electrical engineering plant in Budapest, greatly exceeded the old plant in capacity.

Transport and Communications

185 489 In transport and communications, the aim of the plan[1] was the rehabilitation of the transport system which suffered very heavy damage in the war. Costs were budgeted at 676 million forints. The capacity of the transport system, about 75 percent of prewar when the plan was launched, was to reach, and in some cases even exceed, the prewar capacity.

The main items listed in the blueprint were the following:

[496] Railways: the reconditioning of the principal railway lines; some extension of the double track system; the reconstruction of the single, electrified line (Budapest-Vienna); the starting of electrification of another line (Budapest-Hatvan, connecting an iron and coal district with Budapest); the reconstruction of five of the principal and all the smaller bridges which had been destroyed; and the rebuilding of the railway yards and stations damaged in the war.

[504] Shipping: the refloating and reconditioning of river boats, improving harbor installations, enlargement of the central harbor in Csepel, and the construction of two canals (Sio and Danube-Theiss).

[441] Roads: completion of the repairs of war-damaged roads, that is, the reconstruction of about 20 percent of the arterial highways and about 40 percent of the primary and secondary roads; the construction of 225 km. of new arterial highways and 1,400 km. of primary and secondary roads; the rebuilding of most of the destroyed highway bridges.

[509] Air transport: construction near Budapest of a large airfield meeting modern requirements and capable of receiving the largest planes now in use.[34]

[206] Telephone, telegraph, and wireless communications: the rehabilitation of the still deficient telephone and telegraph systems; the reconstruction of a 135 KW transmitting station (Budapest); the construction of another 135 KW transmitting station (Szolnok); and a third short-wave transmitting station of unknown capacity (Diosd).

34. Work on the airfield in Ferihegy near Budapest was started during the war, but it was badly damaged before completion. It was used as a Russian military airfield after the war.

1 [The Three Year Plan of 1947-1949—Analyst]

No exhaustive list of the completed and, for that matter, of the planned work is available. The Final Report mentions the reconstruction of six principal railway bridges against the five planned, and of five highway bridges,[35] the complete reconstruction of the roads, including the building of 660 km. of new primary and secondary roads, and the construction of "some" new arterial roads.

Comparatively little progress was made in rebuilding railway station buildings. There is no mention of the work on the Danube-Theiss canal. The other canal (Sio) was opened in 1948.

The rolling stock of the railways is now claimed to be "sufficient." The number of automobiles, trucks and buses is, in the aggregate, 88 percent larger than it was before the war. Passenger cars have not reached the prewar level, but the number of buses is 50 percent, and that of trucks 150 percent greater.[36] The number of river boats and barges in commission is very much smaller than before the war.

Freight traffic on the railways is reported to have been 49 percent greater than in 1938, freight traffic on the roads 113 percent greater.[37] As traffic on the Danube is to a large extent paralyzed, the railways and the roads must carry a higher proportion of the total traffic than before the war. But it is doubtful if freight traffic on the railways could have increased by 49 percent in a year when the harvest was bad. It is not known whether Soviet transports passing through Hungary are included in the ton-mileage given. Railway passenger miles are claimed to have been 122 percent above prewar. There is definite information that postwar and prewar passenger miles are not comparable because of changes in the method of tabulation.

On the whole, at the end of 1949, the capacity of the transport system was at least as great as, if not greater than, before the war.

Building

The building program of the plan, extensive as it was, did not aim at completing the work of reconstruction of all war-damaged buildings, public and domestic. On the other hand, it included new construction serving mostly health, education, and, to a small extent, working class housing. A total of 1.2 billion

35. Two in Budapest, one each in Szolnok, Szeged, Vasarosnameny.

36. In 1938 the number of passenger cars was 18,900, the number of buses 700, and the number of trucks 3,800.

37. Freight traffic on the roads refers to freight carried in trucks, a fraction of the total freight carried on roads.

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forints were to be spent for work of this character in sharply graduated installments. Out of this 0.4 billion forints were earmarked for housing, both new construction and reconditioning. This, however, did not include industrial construction. The aggregate value of construction work of all kinds was to be 2.6 billion forints.

Owing to lack of adequate preparations, the manifest need for reconstruction on a larger scale, and, last but not least, pressure from the building workers' trade-union, the building program was speeded up. In the first year the sum spent on building was nearly twice as high as budgeted, mainly because of the nineteen-fold increase of the sum spent on reconditioning public buildings and the high cost of building. In the full period, a total of 1.8 billion forints were spent, 58 percent more than budgeted. The volume was claimed to have been 27 percent greater. This, however, excludes industrial construction. A comparison with other items suggests that building must have been severely curtailed in the later phases, and the balance of the plan restored.

The principal items mentioned in the Final Report are: the reconditioning of over 1,300 school buildings, of 161 hospitals and 55 TB dispensaries; the building of 16 new schools, 29 hospitals, and 8 dispensaries. Work was started on others. A number of health centers, crêches, day nurseries, and holiday homes were established. The report fails to mention that, laudable as the purpose of these institutions was, they were housed mostly in expropriated buildings of "enemies of the people." As these were a matter of definition, there was no difficulty in setting up social institutions at little cost.

Housing developments were confined to mining centers and the working class districts of Budapest. It was claimed that in the first year the total number of new apartments constructed was 1,800 in Budapest and 500 in the country towns, and that the total number of workers' cottages in mining and industrial centers was 728. An estimated 40,000 cottages were built in rural areas mainly out of private funds. Information on what had been completed in the full period of 29 months is conflicting. According to an official statement the total number of new apartments built in urban areas was 5,200, shared in nearly equal proportions by Budapest and the provincial towns. Some 120,000 cottages were built in rural areas, mainly out of private funds, and another 6,200 on state-owned farms and tractor stations. In addition, some 110,000 dwellings were reconstructed, a large proportion with the help of private funds. Of these, 40,000 were in Budapest, 25,000 in provincial towns, 39,000 were cottages in rural areas.

By comparison, in the ten-year period 1927-36, the number of new dwellings constructed in urban areas was around 10,000 per year, half of which were in Budapest. The total number of newly constructed dwellings (urban and rural areas together) ran into 36,000 per year in the ten years following the first World War, a period of marked building activity.

Employment and Productivity

The plan counted on a moderate increase in the industrial population which, however, did not require large-scale redeployment of the labor force. It could be achieved largely by absorbing the unemployed, ordinary and political, the domestic servants thrown on the labor market as a result of the social transformation, and the large number of women seeking industrial employment who had not been forced to do so before. The expected increase of the working population in the manufacturing and mining industries was 10 percent in the first year, 9 percent in the second, and 7 percent in the third. As their number was 345,000 in August 1947, the final figure was expected to be 410,000.[38] In 1938, the corresponding figure was 330,000 and it rose to 470,000 in 1943. Thus the surplus population in agriculture could not have been tapped to any extent by an increase of that order.

At the end of the first year, the number of workers in mining and manufacturing reached a total of 350,000 and was less than expected. The Final Report claims an increase of 82,000 in manufacturing and one of 11,000 in mining in the course of 1949, giving a total of 443,000 at the end of the year which is higher than the goal set for July 1950. A large number of the new recruits were women.

There was a great increase in the number of transport workers mainly on the railways. The final figure is not available, but in December 1948 their number was 102,000, 18 percent greater than in mid-1947, and 76 percent greater than in 1937-38.

The total number employed in the building trade, by then largely nationalized, was claimed to be 120,000 at the end of 1949.[39] An increase of 69,000 was said to have taken place in the course of the year which saw the elimination of the seasonal character of building.

38. The base and the target are not clearly given in the blueprint, and the target figures quoted should be regarded as approximate.

39. The census figure (December 1930) was 87,000 employees and 23,000 self-employed. But there was a large influx of semi-skilled labor in the building season.

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According to the Final Report, a shortage of labor became apparent and in every month of 1949 about 10,000 vacancies could not be filled because of the lack of workers, especially skilled workers.

185 X 461

Productivity in the manufacturing industry is claimed to have increased by 40 percent in the first year, by a further 16 percent in the course of the Five Months' Drive in 1948, and another 25 percent in 1949, giving a total increase of 103 percent over the whole twenty-nine months' period. In comparison with 1938, productivity in 1946-47 was estimated to be about 59 percent. It rose to an average of 83 percent in the first year, 96 percent in the second half of 1948, and in 1949 it was claimed to have surpassed the prewar level by 20 percent.

Very few data are available concerning changes in physical output per worker. Some very careful studies have been made of productivity which, however, do not cover the whole period. According to these, net productivity in the iron and metal industry was about 80-85 percent of prewar, in engineering 70-75 percent, and in textiles 75-80 percent when the plan started. All available information points to a continued, although not uninterrupted, improvement. At the end of 1948, net productivity in the textile industry was slightly above prewar. The fluctuating figures for the first five months of 1949 showed a moderate decline. In engineering, where the 1938 level was reached toward the end of 1947, net output per hour, calculated at current prices, very nearly doubled in the period 1 January 1948 - May 1949. Calculated at constant prices the increase must have been considerably smaller.

In coal mining, output per man-shift (all workers) was 0.58 tons in August 1947. It rose to 0.82 tons in November 1948. No figures have been published since. The prewar output was 0.95 tons.[40]

The evidence presented at the Conference of Building Workers early in 1949, and the subsequent purge of their trade-union, indicated that output per man-hour must have been below prewar and improvement was much less marked than in industry.

In transport, output per worker seems to be below prewar as the increase in the number of workers was greater than the increase in the volume of traffic.

In agriculture, with no appreciable change in the working population and an output below prewar levels, productivity per worker seems to have been also below the prewar figure.

40. Output at the face was 2.28 tons, 2.43 tons and 2.83 tons respectively.

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Foreign Trade

Carrying out the investment program, together with the filling up of inventories, demanded greatly increased foreign trade. The plan calculated on imports of 2.1 billion forints in the first year, 2.7 billions in the second, and 3.2 billions in the third. Exports were to balance imports by a very small margin. These figures represent a level from 83 to 126 percent of the 1938 figure in imports and 63 to 95 percent of 1938 exports. In 1946-47, the volume of imports was only 37 percent of 1938 and the volume of exports 25 percent.

In the first year of the plan, agricultural exports were to be 38 percent of total exports, finished and semifinished manufactured goods 55 percent, industrial raw materials 7 percent. In industrial exports, the products of heavy industry were to rank first with textiles second. Imports were to consist mainly of essential raw materials. Approximately equal sums were to be spent on raw materials for heavy industry (coke, iron ore, scrap iron) and on fibres.

The blueprint hoped for a brisk trade with western countries, especially with Switzerland and the United Kingdom, although the bulk of the trade was to be with Hungary's neighbors, Austria included. Although there was a large increase in the volume of trade relative to 1946-47, achievements fell far short of expectations. At current prices, imports in the first year amounted to 1.9 billion forints, 90 percent of what had been considered absolutely necessary, and exports were 1.4 billion forints, 68 percent of the planned figure, leaving an adverse balance of trade of 0.5 billion forints. Thus, foreign credits played a more important role than was intended. Relative to 1938, the volume of imports was 59 percent, that of exports 33 percent. Over three quarters of the imports were industrial raw materials and semi-manufactured goods; nearly 10 percent was food. Over two thirds of the exports consisted of manufactured goods, a higher proportion than planned, while agricultural products accounted for 30 percent.

From 1948 on, no detailed foreign trade figures were published. It was said that in the second half of 1948, the period of the Five Months' Drive, imports were on the level of the first year while exports picked up. In 1949 imports are claimed to have been 3.5 times greater than in 1946-47 and exports 4.0 times greater. Assuming that current values were being compared, and not volume, imports must have amounted to 3.30 billion forints, and exports to 3.35 billions, leaving a small balance in Hungary's favor. If the computed figures are correct, trade

185 439 at current prices was slightly greater than planned. The volume of trade must have been below the goals set. Over 54 percent of exports were manufactured goods. In imports, raw materials made up 54 percent, semi-manufactured goods 15 percent, construction goods 13 percent, and finished consumer goods 18 percent of the total. A large proportion of the trade was with the Soviet Union and the other people's democracies.

Socialist Transformation

185 471 In the talks which preceded the acceptance of the Three Year Plan by the parties of the government coalition in the spring of 1947, the constructive propositions were in the foreground and no mention was made of any plans to transform the social and economic organization of the country. Criticism of the plan was difficult, even at that stage. The avowed and much publicized aim of the plan was the "raising of the standard of living of the toiling masses of Hungary" and any criticism was branded as anti-social and reactionary.

A conference of the parties accepted the plan in March 1947 and in May the Communist party announced that the nationalization of the commercial banks and the Bank of Issue was an essential condition of the realization of the plan, intimating that anybody who had agreed to the plan, implicitly also agreed to that measure. The nationalization of the banks led to a political crisis but was finally pressed through. Differences between the Communists and the Social Democrats centered on the scope of nationalization. In the debates on the nationalization issue, the necessity and scope of the measure were debated and no mention was made at that stage of any plans to reorganize the banking system. The nationalization of the banks was made law at the end of 1947. It brought some changes in the management of the banks, but none in their organization. In March 1948, over the Easter weekend, a sweeping nationalization measure was issued in the form of a decree affecting all industrial and business establishments employing more than 100 people. In April the Supreme Economic Council issued an order giving the broad outlines of the reorganization of the banking system, which was subsequently destroyed and rebuilt on the Soviet model.

The nationalization of a large section of industry and business required the setting up of an elaborate system of direction and control. In a series of steps, some of them contradictory, a system was evolved which, in its essential features, showed a great similarity to that of the Soviet Union. The Supreme Economic Council, and later, the People's Economic Council

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deliberated and decided on matters of high level policy. The Planning Office was the highest coordinating executive department. The ministeries, increased in number (the Ministry of Industry was split into a Ministry of Heavy Industry and a Ministry of Light Industry, and the Ministry of Trade into a Ministry of Internal Trade and a Ministry of External Trade), are concerned with big sectors of the economy. Within their framework, the Industrial Directorates are charged with the administration of broad groups of industries. Below them are the Industrial Trusts, comprising a number of firms engaged in the production of goods of a similar character. The nationalized firms, now incorporated as such, are under the direction of an appointed all-powerful manager who is responsible for the running of the individual plants. His activities are watched over by the chairman of the Shop Committee representing the trade-union organization and the local secretary of the United Workers' Party. The Bank of Issue, in the capacity of banker of nationalized industry, keeps watch over finances; a newly set up Central Control and Audit Department with very wide powers keeps watch over the efficient running of industry, and the Central Wages Board takes care of the elaborate piece-rate system and the "scientific" fixing of the ever-increasing output rates.

The reorganization of nationalized industry enabled the authorities to bring about a greater division of labor and to introduce mass production methods on a modest scale. The elimination of the waste which the prewar system entailed, with its multitude of small firms engaged in producing a large number of custom-made goods, had its drawbacks. Nationalization, however, had its limits and disadvantages. It did not stop with producer goods but greatly affected consumer goods industries, and through the production of utility types, eliminated not only waste but also quality production and the possibility of choice on the consumer's part.

The two nationalization measures, together with the "operational control" of the largest plants in heavy industry introduced earlier, led indirectly to the nationalization of a large section of foreign trade and internal wholesale trade. Later, complete state control was established in both fields and the share of the state stores and cooperatives in the retail trade rose by 1949 to about 30 percent. While the reorganization of nationalized industry was in progress, it was repeatedly stated that no measures were planned to infringe upon the interests of the small traders and the artisans.

In 1949 a new measure of nationalization affected all industrial

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185 X 471 and business establishments employing more than ten people. It was stated that the measure was not intended to endanger the true small traders and artisans who were said to be valuable elements of society. However, deadly competition for the small shops was provided by the setting up of the state stores, which were given monopoly in the distribution of some goods, were free from many of the restrictions to which small shops were subject and received favored treatment from nationalized industry. At the same time, the policy followed in allocating government contracts, which now comprised practically all contracts of any importance, and the restrictions on credits slowly led to the withering away of the small craftsmen. Furthermore, every encouragement was given to artisans' cooperatives which were, in essence, a return to the workshops of the early period of capitalism. These artisans' cooperatives with their methods of primitive mass production of utility goods were a complete denial of the essence of craftsmanship. The large-scale nationalizations, together with measures directly restricting private practice, almost eliminated the independent professional class.

185 X 466 Parallel with these measures, the powers of the Minister of Building to control labor were greatly increased. The threat of dismissal for political reasons, institutionalized by decree in June 1948 and extended in February 1949, was increased by the tendency to look upon failure to improve output as a political crime and sabotage. Repeated adjustments of the piece-rate system, competitions and special drives led to constant raising of the standard output rates and required an ever greater effort on the part of the ordinary worker to try to keep abreast and maintain the level of his earnings.

185 X 474 241 Rumors of the impending collectivization of agriculture were at first most emphatically denied by all the Communist spokesmen. Yet, in July 1948, the Communist party announced its intention to press the collectivization of agriculture on a "voluntary" basis because the inefficient small units - a large proportion of which were created by the Communist-sponsored Land Reform of 1945 - impeded progress in agriculture. Soon afterwards, administrative measures, a change in the tax system, and the widespread persecution of the kulaks, encouraged the "voluntary" process by eliminating the richer peasants who were the main opponents of the reform because they had most to lose through it. At the same time every kind of assistance, financial and other, was given to the new collective farms established on the Soviet model. But in spite of all efforts collectivization made little headway and, at the end of 1949, the total acreage farmed by collectives was less than 4 percent of the acreage under crops.

The Standard of Living

According to the blueprint, the volume of goods available for consumption, the measure of the general standard of living, was to be 29 percent greater in the first year of the plan, and 72 percent greater in the third year than in 1946-47. Relative to prewar standards, the increases were to result in a standard of 76 percent in the first, 90 percent in the second and 104 percent in the third year. In 1946-47 the volume of goods available for consumption was given as 66 percent of prewar.

It was claimed that a level corresponding to 86 percent of prewar was reached in the first year and that in 1949 the level surpassed that of prewar by 37 percent. Thus, relative to 1946-47, the increase was 30 percent in the first year and 108 percent in the period as a whole.[41] Due to the radical redistribution of incomes, the improvement in the standard of living of the workers was even greater. Real wages in the manufacturing industry were claimed to have been 40 percent above the 1938 level.

A careful study of available data showed that the national income figures were overestimates: first, through not accounting properly for depreciation and through some rather optimistic assumptions concerning the efficiency of production; second, through not accounting for the accumulation of stocks which must have been considerable. On the first count, the estimates have to be decreased by up to 5 percent. Accounting for the accumulation of stocks requires an even greater reduction in the volume of goods available for consumption.

According to the First Year Report, in 1947-48 the volume of goods available for consumption was 13.9 billion forints against 16.3 billions in 1938. Of this, 440 millions were the result of the adverse balance of trade, an unexpected development. After the adjustments for the optimistic assumptions in estimating the national income and deducting 1.0 billion forints for the increase in inventories (which is only half of the increase

41. A comparison between the blueprint and the First Year Report, the Final Report and various official pronouncements is difficult because, as it was pointed out above, the blueprint and the reports operate with a different concept of the national income and also because, due to some adjustments, they use different figures for 1946-47. The national income and the volume of goods available for consumption as given in the report are somewhat smaller than in the blueprint. Thus the 1946-47 level relative to prewar and the increases relative to 1946-47 become different. The percentages quoted in the text have been adjusted to make them conform with those given in the reports.

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calculated as necessary in the Social Democratic plan), the volume is reduced to 12.1 billions. Although still an appreciable improvement over 1946-47, this allowed a standard of living about 72 percent of prewar in the best case and conformed more with general everyday experience than the figure claimed.

A check on the 1949 figure is more difficult because the details of the calculation are not known. Working with the estimates of the blueprint, the volume of goods available for consumption appears to have been 18.9 billion forints at the utmost. Knocking off 5 percent for overestimating the national income and deducting 1.5 billion forints for the increase in inventories, which is still much lower than the amount given in the Social Democratic plan, the volume of goods becomes 16.1 billion forints. While 16 percent above the 1947-48 volume, this is slightly below prewar.[42]

However, the increase in the volume of goods relative to prewar is, by itself, misleading as an indicator of improvement in the general standard of living. Due to the great emphasis on heavy industry, a very much larger proportion of total output consisted of construction goods than had been the case before the war and had thus no immediate effect on the standard of living of the population. As there are reasons to believe that some of the construction goods were not construction goods in the ordinary sense, but were intended to increase the defensive powers of the country, their effect on the standard of living is even more questionable.

But even assuming that the character of output had not changed, any increase in the volume of goods available for consumption could still be felt as an appreciable improvement — provided it was more or less uniformly distributed — in comparison with the great misery of the first two postwar years. It is undeniable that the excessively large incomes of prewar Hungary had been eliminated and that the redistribution of the national income in itself enabled the authorities to improve the lot of some groups. But, at the same time, new inequalities were introduced, even if of a smaller order. It was officially stated that the number of new recruits in the administration was 20,000. If the party hierarchy is added, the figure becomes considerably greater. These people improved their standards considerably by changing their

185 X 511 565

42. According to preliminary calculation of the National Planning Office at the end of 1948, it was 17.2 billion forints; their estimate of the increase in inventories in 1949 was 0.9 billion forints. True consumption would thus appear to be 16.3 billion forints at January 1947 prices.

The principal figures are summarized in Table VII in the Appendix.

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status: climbing into the administrative grade from that of the factory worker or the low clerical grade. There is a third, even more important group which enjoys a privileged position, the police force, which is very much better paid than the smaller police force of the prewar days. Apart from those privileged groups, the mass of the workers did not receive uniform treatment. The miners, however, enjoyed especially privileged treatment, while the shock workers of all trades comprised still another privileged group. To these must be added a large proportion of the new owners of subsistence farms, about half a million without dependents, who proved to be successful small farmers, and who now enjoy a higher standard of living than they did before the war. All these favoured groups add up to something like one seventh to one eighth of the gainfully employed population. The rest have to be content with what remains of the national production. When collectivization is achieved, the rise of the favoured groups will be considerably smaller.

The official claims of a great and general improvement in the standard of living appear somewhat suspicious in the light of the pronouncements themselves, which do not fail to pay tribute to the great and enduring effort and sacrifice of the people who made possible the execution of the Three Year Plan. If the general standard of living really doubled in two and a half years, surpassing the prewar standard by 37 percent in 1949, and the increase was accompanied, as asserted, by an improvement in general working conditions, enduring sacrifice would not have been necessary.

Appraisal

On the whole, the high rate of recovery characteristic of Hungary since the war was maintained under the Three Year Plan and the national income reached a level exceeding the prewar figure by about 10-20 percent. Industrial expansion in 1938-1944 provided increased potentialities and, in spite of war damage, activity in the first two postwar years provided a good start. But the achievements required very great efforts and sacrifice and were not accompanied by a similar increase in the volume of goods available for consumption.

The increase in production was more the result of the production drive than the investment program, the effects of which could not be immediately felt. In the production drive, incentives in the form of differential wage rates and social recognition were applied, together with an elaborate system of control

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185 X 461 and strict enforcement. If ordinary incentives failed and the increase in output was not rapid enough, there was no hesitation to apply ruthless methods. It is a matter of speculation to what extent the results achieved were due to the one or to the other.

185 X The goals set in the Three Year Plan were ambitious but were, on the whole, realistic. With few exceptions, the results claimed seemed to be consistent and do not look improbable or spurious.

The soundness of the investment program was open to more criticism on account of its overambitious size, its emphasis on heavy industry, and its neglect of agriculture, the largest single industry of the country.

[511] Although the heavy investment program prevented the people from reaping the full benefits of their effort, there has been an improvement in the standard of living, even if much smaller than the official figures suggested. The improvement was very unevenly spread and, except for smaller groups in a privileged position, could not have been appreciable. However, considering how low the postwar standards had been, even small improvements meant much and must have been appreciated. The price of the improvement was a great restriction in choice of goods for the consumer, intensification of work and loss of liberties. Underlying principles of the Hungarian Three Year Plan show a similarity to the plans of reconstruction in the other so-called "satellite" countries and, in some ways, also to the First Five Year Plan of the Soviet Union. They all emphasize the development of heavy industry, and particularly of engineering, as the driving force of economic development even in countries which are poor in mineral wealth. They also show the same tendency to self-sufficiency and to reorientation to the Iron Curtain area. Apart from these common characteristics, there is some variation in detail corresponding to the great differences in the level of economic organization.

In carrying out the Hungarian Three Year Plan many diverse problems were encountered. First, the new administrative personnel lacked experience even in routine administration, not to mention a new and large-scale operation like the preparation and control of an overall economic plan. There were many complaints in high official quarters of inadequate preparation, overgrowth of bureaucratic control, mismanagement and lack of coordination. Second, there were difficulties due to unpredictability in agricultural production, whether due to the vagaries of the weather or to deliberate action. Third, there were difficulties due to unpredictability in foreign trade. On official

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admission, these difficulties were especially great in the second half of 1948, the period of the Five Months' Drive. Fourth, there were difficulties due to resistance. The source of this resistance was twofold. There was the resistance of those who regarded as unjust the measures which robbed them of rights and property; the widening scope of nationalization eliminated this source of resistance. As well, the working class, held to be the master of the country, resented the increased regimentation and the constant drive for higher output. Judging from the very frequent exhortations, the tightening of controls, and the retaliatory measures, working class resistance seems to have stiffened rather than diminished.

The importance of the plan cannot be appraised in economic terms only. Introduced under the guise of a reconstruction plan, it was used as an instrument for the complete transformation of the economic, social and political structure of the country. The reconstruction work and some of the investments brought permanent improvements and had at least the grudging approval of the population. In contrast, the social transformation of the country, with the regimentation and loss of freedom it entailed, was carried out against the people's will and was considered much too high a price for any benefit the plan brought.

THE FIRST HUNGARIAN FIVE YEAR PLAN
1950 - 1954

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General

Like the Three Year Plan, the Five Year Plan was first published as a Communist proposition. With the socialist transformation practically complete, except in agriculture, the First Five Year Plan concentrates on speeding up the tempo both in investments and production and shows an even stronger emphasis on manufacturing, especially in heavy industry. Besides the economic aims, the main purpose of the plan is the carrying of socialism to victory in the whole of the Hungarian economy. But it has also a third aim: the strengthening of the "defensive powers" of the Hungarian People's Republic "on the side of the Soviet Union and the other friendly people's democracies and the freedom-loving peoples of the world against the warmongering imperialist arsonists."

The plan, ambitious as it was when its outlines were first published early in 1949, became even bolder when it was introduced in the form of a bill in the National Assembly in December 1949. Investments, originally given as 35-37 billion forints, were increased to 51 billions, that is, by over 40 percent, and were to absorb an even larger proportion, 21 percent of the national income. The explanation given was first, that as the Three Year Plan had surpassed the goals set, the start could be made from a higher level; second, that the momentum of the Hungarian Stakhanovite movement had become so great that the mobilization of the latent reserves of the Hungarian economy allowed greater increases.

The Five Year Plan began on 1 January 1950 and is scheduled for completion at the end of 1954. The Communist party claims full credit for the plan and openly acknowledges its gratitude to the Soviet Union for the inspiration, the practical example and the friendly help.

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National Income

It was claimed that in 1949 the volume of the national income was 24 percent greater than in 1938. The First Five Year Plan proposes to increase the national income by 63 percent over that of 1949. This would require an average rate of increase of slightly over 10 percent per annum and would bring the

national income to a level roughly 100 percent above that of prewar.[1]

Parallel with the increase of the national income, the share of industry will be increased from 50 percent in 1949 to 59 percent in 1954. In 1938 its share was 35 percent and it rose to 44 in 1943.

In the blueprint of the Three Year Plan and also in the First Year Report of 1947, January prices were used. If the national income was in fact 27 billion forints in 1949, at January 1947 prices it would have to be 44 billion forints in 1954. The increase would be 2.7 billion in the first year, 3.1 billion in the second, etc., provided the rate of increase is constant, that is, 10.3 percent.

The detailed calculations of the plan are based on a new set of prices. The prices themselves have not been published nor has any indication been given of how they compared with some known set of prices. However, the text of the act gives some clue. It gives the planned percentage increase of production over 1949 and it also gives the value of the expected output in 1954. The 1949 values can be worked out on the basis of percentages given in the Final Report of the Three Year Plan from the 1938 output and with the percentage increase given, the 1954 value at January 1947 prices can also be worked out.[2]

Significantly, while the overall increase for manufactured goods is 20 percent, the range of variation is considerable. The largest increases appear in metallurgy, glass, leather and textiles, reflecting the shifts in the prices of raw materials, the main source of which is the Soviet Union. Chemicals, food and clothing are below the January 1947 level. In clothing, the large-scale introduction of ready-to-wear goods offers adequate explanation of the reduction in prices. The case of chemicals is not easy to explain. The reduction in the prices of processed foods seems to indicate that food prices are kept low and that, with the prices of manufactured goods up, agriculture is being squeezed.

If the assumptions on which the above calculations are based are correct, at the new "plan prices" the national income of 1949 can be around 35 billion forints and that of 1954, around 57 billions.

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1. Erroneously, the chairman of the People's Economic Council (Eruo Gero) gives the mathematical average (63.5 - 12.6) which makes no sense except that, being greater than the true rate of growth (the geometric average), it makes the increase look more impressive.

2. The results of the calculation are presented in Table VIII in the Appendix.

185 X 434 A rate of increase in the national income in the order given, ambitious as it is, cannot be ruled out as impossible in a country like Hungary. But it requires continued, very heavy investments and also a great increase in productivity which, in its turn requires, besides investments, the redeployment of the labor force and very great effort on the part of the workers.

X Investments

185 454 Twenty-one percent of the national income is earmarked for investments against 10 percent budgeted and 18 percent actual investments under the Three Year Plan and 3-7 percent in the interwar period. However, planned investments as given, did not include the increase in inventories. Before the war, with the national income increasing at a very much slower rate, the increase in inventories from one year to another was not considerable. In the case of the Three Year Plan, failure to account for them was a serious error in estimating the volume of goods available for consumption. If this practice has been adhered to, the same applies to the First Five Year Plan, even if stocks reached the prewar level at the end of 1949, which is doubtful.

Before the war, the volume of the national income increased by about 400-500 million prewar pengoes from one year to another. The estimated increase in inventories was around 180 million prewar pengoes, that is, it absorbed from one third to one half of the increment. The planned 40 billion increase in the national income at "plan prices" from 1949 to 1950 would thus require, besides the listed investments in plant and installations of 8.1 billion forints, an additional 3-4 billions to increase inventories. The volume of goods available for consumption would be correspondingly smaller. Another charge against the [457] national income consists of reparations payments, at any rate until 1952. Although much reduced as a result of the Soviet decision to cut outstanding reparations by half from the middle of 1948, and the Hungarian decision to repudiate reparations due to Yugoslavia, they would still require about 0.6 billion forints in the first half of the plan period.

In the investment plan, continued emphasis is given to manufacturing and especially to heavy industry, and budgeted investments for these branches of the economy total 21.3 and 18.3 billion forints respectively out of a total of 50.9 billion. Their percentage share is 42 and 36 percent. Agriculture is allotted 8.0 billion forints or 16 percent. Indirect investments benefiting agriculture bring its share to 12.5 billions or 25 percent. Transport and building receive 7.5 and 7.4 billion forints or 15

percent each. In contrast to the Three Year Plan the new investment plan provides a reserve of 2.5 billion forints for unforseen contingencies, and 3.3 billion forints are set aside to finance work preparatory to the second Five Year Plan.

In the 1950 budget, 7.2 billion forints were earmarked for investments, that is, 45 percent of the total expenditure. The 7.2 billion forints are in keeping with the estimated total investments of 8.1 billion forints (calculated on the basis of uniform rate of increase of the national income, 10.3 percent, and uniform rate of investment, 21.4 percent of the national income). It seems that, as in the Three Year Plan, savings were supposed to provide the funds for the increase in inventories.

For purposes of comparison the allocation of investments under the Three Year Plan and the First Five Year Plan is summarized in the following table:[3]

Percentages of Total

	Three Year Plan		Five Year Plan
	Budgeted	Actual	Budgeted
Manufacturing	27	32	42
Agriculture[4]	30	29	16
Transportation	25	19	15
Building	18	18	14
Distribution	--	2	2
Other	--	--	11
Total Percentage	100	100	100
Total, billion forints	6.6[5]	10.3[6]	50.9[7]

Agriculture

The increase in agricultural production is set at 42 percent above the 1949 level. The volume of crops is expected to increase by 35 percent, the output of the livestock industry by 51

3. For details see Table III in the Appendix.

4. About half of the investments in agriculture ought to have been listed under other headings. The agricultural investments under the First Five Year Plan, given as the 16 percent, represent agricultural investments proper. With indirect investments the share of agriculture rises to 25 percent.

5. January 1947 prices.

6. Current prices. At January 1947 prices about 8.3 billion forints.

7. "Plan prices" which seem to be about 20 percent higher than January 1947 prices.

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

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percent. In the fifteen years of the interwar period (1924-25 to 1938-39) the gross value of agricultural production increased by 35 percent if valued at constant prices.[8]

The increases in average yields per unit of land necessary to achieve the contemplated rise in aggregate output are 13 percent for wheat, 27 percent for rye, 35 percent for corn, 30 percent for potatoes, 40 percent for sugar beets, 27 percent for sunflower seed, etc. As the expected, and even more, the actual yields of 1949 were all below prewar levels, the goals set are not excessive. In fact, with few exceptions, they correspond to, or are even below, the averages of 1936-40.

The yield of permanent pastures will be increased by 10 percent, that of orchards, vineyards and truck farms by 20 percent. The cattle population will be increased to 2.4 million head, the horse population to 750,000, the pig population to 5.6 million, and sheep to 1.6 million. This means reaching the 1942 level of cattle and sheep population. The number of horses and pigs would fall below the prewar level. In increasing livestock, priority will be given to state-owned and collective farms. Besides an increase in numbers, there will have to be an increase in yields. The average milk yield per cow is to be increased by 20 percent and the wool clip per sheep by 13 percent. Due attention is to be given to increasing the acreage under fodder crops to provide for the larger animal population.

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The increase in field crops is to be attained by large-scale mechanization resulting in better tillage, and by improved and up-to-date techniques applied in large units. The number of tractors is to be increased from about 17,000 at the end of 1949 to 22,800 in 1954. Of these, 19,500 will be operated by tractor stations, the number of which will be increased to 500. (At the end of 1949, there were 221 stations operating 3,800 tractors.) There is also to be a corresponding increase in other machinery. The use of fertilizers will be increased to 4.5 times the 1949 level.[9]

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Irrigated acreage (26,000 hectares in 1949) is to be increased by 68,000 hectares to 94,000 hectares. The irrigation project begun in 1937 will thus be about half completed. Serious effort is to be made to improve acid and alkaline soils, beginning with the improvement of 17,000 hectares of alkaline and 40,000

8. For volume of output see Tables III, IV, Va and Vb in the Appendix.

9. Production of superphosphate and nitrogenous fertilizers in 1949 was 157,000 tons against 80,000 tons in 1938. There may have been some exports, but most of the production was for home consumption.

hectares of acid soils. At the same time, large-scale experiments are to be organized to discover and test methods to improve such soils, which cover about 500,000 hectares in Hungary. The plan also provides for the planting of forests on 29,000 hectares and for the reforestation of another 45,000 hectares of denuded forest land. The aim is to add yearly 300,000 cubic meters to the standing timber to make up for the inroads made on the forests before and during the war. Before the war, 17,000-23,000 hectares were reforested in a year, including new plantations.

In agricultural research, the systems of crop rotation successfully practiced in the Soviet Union will be tested and new plants (kenaf, kok-sagiz, tea, citrus fruits and cotton were specifically mentioned in an official statement) will be introduced. A cotton acreage of 58,000 hectares is planned for 1954. In 1949 cotton growing was still in an experimental stage.

Investments in agriculture will amount to 8.0 billion forints, with indirect investments raising the total to 12.5 billions. Half of the sum to be spent on agriculture will serve mechanization.

As the prevalence of fragmented small holdings hinders accomplishment of the production plans, the collectivization of agriculture will be speeded up. In 1949 only 40,000 peasant families worked on collective farms and the acreage so farmed was given as 184,000 hectares.[10] The First Five Year Plan will thus bring about the socialist transformation of agriculture and rural society. As a result, the most important social reform of the postwar period, the Communist sponsored Land Reform of 1945 is to be completely reversed. This reform destroyed the existing large units and, through the creation in their stead of small subsistence farms of about 4 hectares, made mechanization and efficient farming impossible. Even the older peasant farms, most of them of less than 10 hectares, will be liquidated and turned into collectives.

Mining and Metallurgy[11]

The gross output of mining will be increased by 55 percent over 1949 and will reach 2.2 billion forints in 1954. In 1949 it was 40 percent above that of 1938. With the planned increase, it will be more than twice as high. The production of coal is to be increased from 11.8 million tons in 1949 to 18.5 million tons in

10. The number of peasant families is well over 12 million and the total acreage under crops is 5.6 million hectares.

11. Available figures are summarized in Tables III, IV, Va and Vb in the Appendix.

1954, that is, an increase of 64 percent. That output is nearly twice as great as that of 1938 and is much higher than the wartime peak of 12.7 million tons. Production of bauxite and oil is to be considerably increased but no figures are given. The 2.5 billion forints to be invested in mining will be spent mainly on mechanizing operations.

In metallurgy, the planned increase in gross output is 95 percent above that of 1949. The value of output given for 1954 is 4.7 billion forints which is 2.6 times greater than the 1938 value.

The production of pig iron will be increased from 428,000 tons in 1949 to 960,000 tons in 1954, that of steel from 890,000 tons to 1,600,000 tons. This represents increases of 125 and 91 percent over 1949 and of 187 and 150 percent over 1938.[12]

To achieve the contemplated rise, 4.0 billion forints will be invested in constructing a modern blast furnace of large capacity in addition to the six existing, in the construction of another furnace for the production of ferromanganese, another electric aluminum furnace and a steel mill. Mohacs, a small town on the Danube, not very far from Yugoslavia, will be developed into a large center of heavy industry. The high grade brown coal deposits of Pecs are not very far away and there is some poor iron ore, the working of which was long ago abandoned.

Power

The production of power, 2.2 billion KW hours in 1949, already slightly greater than the wartime peak, is to reach 4.3 billion KW hours in 1954, that is, it will be nearly doubled and will require investments of 3.3 billion forints. The plan provides for the modernization of existing plants, for the construction of 20 new power plants to utilize low grade coal, and also for the construction of a hydroelectric plant (Tiszaloek) and another utilizing natural gas (Lovaszi). The construction of the former will, incidentally, bring to completion a large-scale project for river regulation and irrigation begun but not completed before the war.

12. As Czechoslovakia and Romania inherited most of the iron resources of the Carpathian Basin, the heavy industry of Hungary depended on imports of essential raw materials. Forty-three percent of the iron ore, 20 percent of the pig iron, 81 percent of the coke, 73 percent of the limestone, 52 percent of the scrap iron used had to be imported. Difficulties in the supply of raw materials and costs handicapped the development of heavy industry in the interwar period. Germany, an important source of supply before World War II, was replaced by the Soviet Union.

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The national grid will be extended and 850 km. of high-tension cables will be added to the existing 8,200 km.[13]

Manufacturing Industry[14]

In the fifteen years of 1925-1939, the gross output of the manufacturing industry increased by about 70 percent. Industrial output in 1954 is planned to be twice as high as in 1949. Since the level of industrial production in 1949 was claimed to have been around 50 percent above prewar level, the planned rise will result in output nearly three times as great.

The increase will be very unevenly spread. It will be much greater in the heavy industries than in the light industries.[15]

Within heavy industry, the development of engineering and especially the production of machine tools will be speeded up. The output of the latter is planned to be nearly 233 percent higher in 1954 than in 1949 when it was given as 185 million forints at January 1947 prices. It is intended to undertake the production of new items: diesel tractors, combines, corn-harvesting machines, road-building machines, mining machinery, automatic looms, trolley busses. Mass production methods will be introduced and greater specialization achieved.

Investments in heavy industry are budgeted at 4.2 billion forints. A number of new plants will be built, including a high grade steel plant, foundries, machine tool works, plants to manufacture machinery for flour mills, textile machinery, oil pumps, diesel engines, heavy and light iron constructions, etc. Some of these plants will be built on the Danube, others in the northeast, already a center of heavy industry.

The output of mass-produced iron goods (nails, screws, agricultural implements, household goods, etc.), that of instruments, appliances, electrical machinery and appliances will be increased by 101 percent over 1949 and will reach 3.8 billion forints in 1954.

The plan provided 0.9 billion forints for investments. Some new plants are planned to produce kripton gas, telephone and wireless appliances.

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13. Their length was 8,105 km. in 1946. The most important line in construction, connecting the new Mátravidéki power plant with Budapest, may have been completed by 1949 and brought into total length to about 8,200 km.

14. Available figures are summarized in Tables III, IV, Va and Vb in the Appendix. For physical output of two principal products, see Table VII.

15. In the terminology now used in Hungary, heavy industry includes mining, metallurgy, the iron and metal industry, engineering, power, clay-brick-earthenware manufacture, glass and chemicals. In this paper the phrase is used in its ordinary sense, unless stated otherwise.

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According to the plan, next in importance to heavy engineering is the chemical industry. Its output will be increased by 38 percent over the 1949 figure. The 1954 output is given as 4.8 billion forints. Its greatest task will be to solve the problem of coking Hungarian coal for use in iron production. The goal is to have 450,000 tons of high grade coke by 1954.

Among the light industries, the textile industry will have an output of 9.3 billion forints, 52 percent greater than in 1949 and, at the cost of 1.1 billion forints, will have its plants modernized and some new plants added.

The clothing industry will replace the small craftsmen who had hitherto supplied most of the clothing worn in Hungary. Twelve new plants will be built at the cost of 2.6 billion forints and the output of the industry will be 2.6 billion forints, an increase of 150 percent over 1949.

Total investments in the manufacturing industry proper, excluding mining and metallurgy, will be 11.3 billion forints. Altogether 220 new plants will be built besides modernizing some of the existing plants. The new plants will be scattered all over the country to promote the decentralization of industry and bring industry to districts which now depend mainly on agriculture. The new plants include the following:

Iron metal and engineering	35 plants
Chemical industry	38 "
Textiles and clothing	20 "
Leather and shoe manufacture	2 "
Woodworking	9 "
Paper manufacture	3 "
Food industry	71 "
Clay, bricks, earthenware	29 "

Building

185 [653] [362]

The estimated cost of construction of all kinds is 21.3 billion forints. Of this, 5.9 represents the cost of industrial construction, 4.5 billion will go into transportation, 3.4 billion forints are allotted to construction which will serve agriculture, 2.0 billions are earmarked for the construction of public buildings and 5.0 billions are to go to finance housing schemes. It is intended to build 180,000 apartments. As private building has practically stopped, at any rate in urban areas, the 5.0 billion forints represent the total investment in housing. Before the war (1924-25 to 1936-37), investment in housing averaged about 140 million pengoes per year at 1924-25 to 1926-27 prices. Data for an accurate comparison are lacking. Available

information suggests that the budgeted sum corresponds roughly to prewar investments in housing.

The building industry will be mechanized and mass production methods will be introduced in building. Total investments are slightly below 1.0 billion forints.

Transport and Communications

The capacity of the transport system is to be increased by 60 percent over the 1949 level. By 1949 the prewar capacity had on the whole been reached, although some bridges were still replaced by temporary structures and some of the rolling stock was in bad repair. Against that stood the large increase in the number of trucks and buses. Investments totalling 7.5 billion forints provide for the construction of 150 km. of new main-line railways, 605 km. of arterial highways, 2,250 km. of secondary roads, the construction of ten large bridges and a number of smaller ones, mostly to replace the temporary structures, and five new harbors. Also the first line of the Budapest underground railway will be completed. There is no indication where the new railway line or roads are going to be built. Nor is reference made to the Danube-Theiss canal on which construction work was started in the spring of 1949 under the Three Year Plan.

As well, the rolling stock for the railways will be increased by adding 4,400 trucks. The number of passenger automobiles will be increased by 14,000, and that of trucks by 23,000. The Danube fleet will be increased by building two passenger steamers, six tugs, fifty-nine barges and three seagoing vessels.

The capacity of the telephone and telegraph systems will be 67-70 percent greater in 1954 than before the war.

Employment and Productivity

The realization of the First Five Year Plan will require a considerable redeployment of the working population of Hungary. As pointed out earlier, the Three Year Plan did not affect the pattern of employment to any large extent, especially insofar as the agricultural population was concerned. Under the Five Year Plan, the number of workers in manufacturing and mining will have to be increased by 430,000. At the end of 1949, their number was about 440,000. In five years it will nearly double and reach 870,000 in 1954. No details are given concerning the distribution and composition of the labor force except that nearly 60 percent of the new workers would have to be skilled. To provide enough skilled workers, the rules governing the training of apprentices have been revised. The number of specialized

185 464 schools in various branches of engineering was increased to provide technicians in adequate number. The additional labor will have to be drawn from the laborers in small crafts, from distribution, and from agriculture. In 1948 the number of small craftsmen was around 410,000, while distribution gave employment to some 160,000 people. A 20-30 percent decrease in five years could set free some 150,000. Women in domestic service or not gainfully employed are another important source of labor and there is every indication that great efforts are being made to bring women into industry, even into heavy industry and mining. By far the most important source, however, is agriculture. There are those who could not be given land in 1945, some 150,000-200,000, and finally there is an additional surplus population which, if mechanization is pressed, could easily provide another 200,000-250,000. Normally, the natural increase of the agricultural population would add about 30,000-40,000 per year to the labor force. The expected rise in industrial employment would thus not exhaust the reserves and would not be unattainable because of lack of manpower.[16]

185 461 The productivity of industrial workers is expected to increase by 50 percent relative to 1949. It was claimed that by then a level of 20 percent above 1938 had been reached. The expected improvement would bring it to a level of 80 percent above prewar. The expected improvement in productivity - and the desired 25 percent reduction in costs of production - will be brought about by new investments resulting in the mechanization of the production process and the modernization of plants, by further reorganization of industry, increased specialization of individual plants, reduction of the number of models produced, etc. Encouragement will be given to inventions and innovations through prizes, the "socialist competition" will be broadened, and the Stakhanovite movement strengthened. Last, but not least, further refinements of the piece-rate system will compel all and sundry to produce more and open up "latent reserves."

16. The gainfully employed population in agriculture numbered 1.6 million men and 0.5 million women. (1930 census. This is the last prewar year for which complete census data are available. The detailed results of the 1941 census have not been published.) The total increase of the agricultural population from 1930 to 1941, the last prewar census, was 38,000. No postwar data are available concerning the distribution of the population by industries. The total population at the end of 1948, the date of the last census, was 9.2 million as against 9.3 million at the end of January 1941.

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Standard of Living

In introducing the First Five Year Plan, it was stated that the overall rise in the standard of living relative to 1949 will be 35 percent. This represents a considerable reduction against the rises assumed in the preliminary calculations which ranged between 54 and 65 percent. The planned increase would bring the per capita level to 85 percent above prewar. The aggregate volume of goods available for consumption will be 40 percent greater. The increase of the population pulls the per capita figure down to 35 percent.

The increase in food consumption would be on the same level as the overall increase, that is, 35 percent. Meat, fat, sugar, milk and milk products were cited as specific cases where larger increases would be attained. The consumption of manufactured goods will increase at a faster rate. The specific instances cited were cotton fabrics with an increase of 40 percent, woolen fabrics with 51 percent, leather shoes and boots with 95 percent and rubber boots with 81 percent.

An important factor in improving the standard of living will be the improvement in housing and social services, including schools. The schools were overcrowded and the educational reform of 1945 swelled the number of pupils.

The crucial test of the rise in the overall standard of living is the increase in the volume of goods available for consumption. Available information is scanty and in the absence of more detailed data only guarded guesses can be made, especially as even the starting point, the standard of living in 1949, cannot be measured with a fair degree of accuracy.

Considering the potentialities and present levels of productivity in Hungary, an increase in the national income of 63 percent in five years cannot be ruled out as illusory, although it would require very great effort and very efficient direction and control. As the level of productivity in 1949 was considerably greater than it had been when the Three Year Plan was launched, a relatively small additional increase required far greater skill and effort. If it is achieved, the investment program, as planned, would not in itself rule out an increase of 30-40 percent in the volume of goods. However, while the investment program can be planned in great detail and can be executed with rigorous adherence to plans, the size of the national income and with it the volume of goods available for consumption, are predictions subject to a wide margin of error. Agriculture is still the largest single industry of the country and the food supply, the basic factor in the standard of living, is subject to the vagaries

185 X 433 of the weather. The planned collectivization of agriculture and the peasants' reaction to it introduce additional uncertainty in predicting the size of output, that is, the food supply.

More important still, the First Five Year Plan lays even greater emphasis on the development of heavy industry, heavy chemicals, etc., than does the Three Year Plan. Defense is now one of the declared aims of the plan; it did not figure previously. In consequence, part of the goods available for consumption are of no use to the ordinary consumer and are not construction goods either.

X 185 Appraisal

In its principles the First Hungarian Five Year Plan bears close resemblance to the Soviet and other Soviet-inspired plans. Ruling out "capitalist loans," it requires heavy investments through self-financing for quick industrialization; it looks upon heavy industry, notably engineering, as the driving force of economic development; it rules out individual initiative except to promote the set goals of the plan, just as it ignores individual tastes in producing consumer goods of a utilitarian type. It makes earnings depend closely on output and provides an important part of total earnings in the form of "payments in kind."

The Three Year Plan had been used for the building up of an administrative machine for working out the details and controlling the successful execution of overall economic plans. At the same time it has led to the accumulation of considerable experience, utilized, no doubt, promptly and certainly extensively in drawing up the First Five Year Plan. The personnel, some of whom had not been accustomed to administrative work, were able to gain experience. These two factors are great assets in the execution of the First Five Year Plan.

The aims of the plan were given partly with reference to output in 1949, partly in values based on "plan prices" about which nothing was directly known. As detailed data concerning production, productivity, etc., at the end of 1949 are lacking at the moment and as checking the data that are available is very difficult, an accurate appraisal of the goals of the plan is greatly handicapped. The rates of increase per year on the whole are smaller than those in the Three Year Plan indicating that, having reached the prewar level, further progress is more difficult.

185 X 433 Considering the resources and the efficiency level of Hungary, an increase in the national income by 10 percent per annum in a period of five years, although very ambitious, may be impossible. The expected increase in the output of mining and manufacturing of 60 and 86 percent respectively can be regarded as

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

realistic. However, it is questionable that the great emphasis on heavy industry is justified or wise. Resources are meager and both iron and coal are of an inferior quality which will be reflected in higher production costs.

An increase in the output of agriculture by 50 percent over the 1949 level is in itself realistic but it is questionable whether it can be achieved in five years. Yields very much greater than those cited in the plan had been achieved in Hungary on well-run estates without extraordinary efforts. The disorganization of farming after the war was not conducive to an increase in per unit yields and made their attainment more difficult. The planned reorganization of the farming industry, the restoration of the larger units with increased specialization, may restore some of the conditions of higher output. However, the resistance of the peasantry to collectivization may easily offset any gains.

It can, perhaps, be safely said that the human factor is in general the decisive one in the execution of the plan. Hungary does not possess great untapped natural resources, the exploitation of which promises quick results, and industrialization had made considerable progress in the interwar period. For these reasons industrialization in Hungary, after reaching the prewar level, cannot be accompanied by the same quick results in increases of productivity and national income as in such underdeveloped countries as the Soviet Union. To achieve similar rates of increase in production, countries like Hungary require relatively greater investments, greater improvements in industrial organization and more intensive work. It is questionable that the Soviet Union can offer guidance and example in these fields in which its achievements compared rather unfavorably with those of the industrialized West.

People were ready to make a special effort to repair most of the war damage. Having achieved this under a speeded-up Three Year Plan, they would well be content with a normal rate of economic progress and it is unlikely that the idea of a new "race" would appeal to them. The present generation will also grudge relinquishing so large a share of the fruits of its labors as the heavy investment program demands. Its discontent will only be greater under the system of regimentation and oppression that Communist planning entails. And if it suspects that its efforts and sacrifices serve the interest of a foreign power, the grudge may grow into deep resentment.

After the effort of the accelerated Three Year Plan, and with another Five Year Plan in view, more than vigorous discipline is required to press through the First Five Year Plan. The

machinery for enforcing it is extant and there is no reason to suppose that, should the need arise, it would not be ruthlessly used. But there is a limit to the use of force and the more advanced the economy, the lower the limit. Sabotage could endanger the implementation of the Five Year Plan and even if it entailed risks for all concerned, growing desperation might lead to desperate acts. The stern measures to deter people from sabotage were reinforced in February 1950, and in the course of the year a series of decrees were aimed at tightening discipline, and "social trials" were resorted to in order to frighten the workers into obedience. All this leads one to suspect that whatever the economic improvements may be, the danger of sabotage and unrest is real.

The Situation at the End of the First Quarter of 1950

A report was issued by the National Planning Office but it gives meagre information. Nearly all results are given in the form of percentages based on the output in the first quarter of 1949 or the goal set for the first quarter of 1950, both of which are unknown.

Agriculture is dealt with rather summarily in the report. Performance in spring sowings, as expressed in percentages of the goals set, is uneven. As of 29 April plantings of alfalfa exceeded the mark by 61 percent, that of oats by 9 percent. Sunflower and potatoes were slightly below the goal, corn 18 percent below.

The acreage under crops of state farms and collective farms was given as 250,000 hectares and 224,000 hectares, respectively, which represents in the aggregate 8.5 percent of the acreage under crops. The number of tractor stations had increased to 275 by the end of March.

Mining and all industries, except rubber and clothing, exceeded the targets set for the quarter. But even in the two industries that lagged behind, the deficiency was slight and amounted to 1-2 percent only. Excess achievement ranged from 2 percent (power) to 27 percent (precision instruments). Metallurgy exceeded the goal by 11 percent, heavy engineering by 4 percent.

The percentages based on the output in the first quarter of 1949 are more instructive because they give some idea of the relative rate of progress as the total output in 1949 is known. Mining had a 27 percent increase to its credit, power one of 41 percent. In the manufacturing industry, clothing recorded the highest increase in output with 108 percent, food the lowest with

34 percent. Iron, metal and engineering showed a 41 percent increase. 433

Output of the principal goods is quoted on the basis of the percentage of output in the corresponding period of 1949 and the list of goods is very restricted. Output of coal was 20 percent, oil 3 percent, iron ore 16 percent greater. Output of power increased by 21 percent. The output of producer goods seems to have increased considerably more than that of consumer goods. Phosphate fertilizers, cement and tractors head the list with 132 percent, 109 percent and 91 percent increases, respectively. The production of woolen and cotton fabrics increased by 8 percent only.

The volume of building was claimed to have been as great in the month of March as in the first quarter of 1949. Private information received from Hungary substantiates the claim to high building activity. But most of the buildings seem to be government offices or factories.

It is claimed that the number of workers in mining, industry and building increased by 27,000. If the estimate of their number at the end of 1949 was correct, 440,000 in mining and industry and 130,000 in building, the increase amounts to 4 percent. Accelerated training courses had been completed by 13,400 apprentices, 5,300 of them in the iron, metal and engineering industries. It is not clear whether they were included in the figure quoted above. 464

Productivity in the heavy industries showed a slight decline against December 1949, the postwar peak, while light industry recorded a 7 percent improvement over the same period. Average hourly wages increased by 8 percent in the manufacturing industry, bringing with them a corresponding increase in real earnings as there was no change in the cost of living. Private sources report a shortage of some important foods which does not seem to be reflected in the cost-of-living index number. 461 465 433

Railway traffic is claimed to have surpassed the corresponding 1949 figures by 35 percent in ton-miles and 22 percent in passenger-miles. 497

Both the number and the turnover of state wholesale and retail stores and cooperative village stores were reported to have increased considerably. 438

Investments were 58 percent greater than in the corresponding period last year; that is, the state invested 1.2 billion forints against 0.7 billion last year. 454

The Situation at the End of the Second Quarter of 1950

433 The second quarterly report of the National Planning Office reads very much like a stereotyped version of the first. Even the percentages showing achievement in comparison with the moving targets of the plan show a range of variation, that has now become familiar, of from 100 to 112 percent. The other basis used is output in the second quarter of 1949 and is not very enlightening because the exact values are not known.

In agriculture the acreage under cultivation was claimed to be in conformity with the plan, but the goals had not been published. In comparison with last year, the use of fertilizers increased by 50,270 tons. Prewar production (1938) was 45,000 tons but much of it was exported. Production in 1949 was not given directly but, on the basis of percentages given, was estimated to have amounted to 98,000 tons. Irrigated acreage, 26,000 hectares at the end of 1949, increased by another 5,400 hectares to well over 31,000 hectares. The number of tractor stations has increased to 356 as against 221 at the end of 1949. [471] The most striking event is the great increase in the acreage of state farms, which was given as 234 percent in one year, and that of the collective farms for which an increase of 413 percent was claimed. As the number of the latter increased only about half as fast, their average acreage must have increased considerably; other information indicates that the average acreage falls probably within the limits of 300-400 acres.

Mining and all industries exceeded their goals. In textiles, the excess output was a fraction of one percent, but in the manufacture of precision instruments it was 27 percent. Metallurgy and engineering had each 7 percent to their credit. In comparison with output in the second quarter of 1949, the manufacture of precision instruments heads the list with an excess output of 130 percent with clothing, 87 percent, second. Textiles showed the smallest relative increase, 23 percent.

The list of principal goods, the production of which is given, has become longer than in the first report but again no quantities are given, only percentages of the goals set and of actual output in the second quarter of 1949. In comparison with the corresponding period last year, output of coal was 18 percent, oils 2 percent, iron ore 25 percent greater. In manufactured goods the greatest increase was in the output of clothing, 251 percent. Apart from this item, producer goods keep showing the greater increases ranging from 114 percent in railway engines down to 105 percent in bricks.

THE FIRST HUNGARIAN FIVE YEAR PLAN 1950 - 1954 61

Building activity has been speeded up. In comparison with the corresponding period last year, the volume of construction of buildings of all kinds was 152 percent greater and in other constructional work 237 percent. Over the period the number of workers engaged in construction work increased by 26,000. 433 464

At the same time an increase of 17,000 workers was claimed in the mining and manufacturing industries. As the increase was reported to be 31,000 in the first quarter of 1950, the total increase in the first half of the year would be 48,000. At the end of 1949 the total number of workers in mining and manufacturing was an estimated 440,000, and in building an estimated 130,000.

In contrast to the first quarterly report, the second quarterly report keeps silent on the question of productivity and wages. 465

Passenger-miles and ton-miles of the railways were above those in the corresponding period in 1949 by 32 percent and 18 percent respectively. 497

Both the number and the turnover of the state and cooperative village stores were reported to have increased considerably. 438

Investments of the state, now the only investor, amounted to 1.8 billion forints against 1.2 billions in the first quarter. Very reticent on the matter of finance, the report only states that the expanded investment program did not affect the balance of the budget. 454

A few weeks before the report[1] was published, the Chairman of the People's Economic Council reported on the progress of the people's economy to the Central Executive of the Hungarian Workers' Party. The picture he drew was in some ways more revealing than the text of the report, and fits better into the picture that can be pieced together from events and incidents reported in the party press, from information that trickles through, and from the government measures. 465

According to the statement, the wage bill in the manufacturing industry increased by 24 percent between April 1949 and April 1950, while the increase in real wages was even greater. Increases in other employment were smaller but still considerable. The Five Year Plan anticipated an overall increase in the standard of living of 35 percent in five years. But in the first four months of 1950, real earnings per capita in the manufacturing industry increased by 18 percent while this improvement was accompanied by an increase in productivity, as measured in volume of output per working hour, of only 9 percent. In comparison with prewar, the level of real earnings was 62 percent greater.

[1] [i.e. the second quarterly report of 1950 — Analyst]

461 The statement[1] complained about lack of discipline, both at the workshop and at managerial level, inefficient planning in the central agencies, and slackness in enforcing government directives. As a result, the high standard of living was endangering the execution of the investment program and dangerous lags were showing in fulfilling the plan. In foreign trade, during the 439 first four months of 1950, imports increased by 56 percent over the corresponding period of 1949 while the increase in exports was only 1 percent.

453 Signs of strain were indeed evident despite efforts to conceal them. One of these was the cessation of publication of the only continuous series still available in the periodic statements of the Central Bank giving the note circulation, bank reserves, savings, assets, and liabilities of the current account of nationalized industry.

433 In Hungary the early part of the year is usually noted for higher prices as the stocks of food and supplies decline before the new crops begin to come in. This year a severe drought damaged most crops. The whole six months' period was characterized by a marked deterioration in the food situation. Important staples, like potatoes, lard, meat, milk products, vegetables which had been available in sufficient quantities since 1947-48, were in short supply. The official explanation blamed higher consumption for the shortages, but admitted also the failure of the new national enterprises responsible for the distribution and hinted at the withholding of food by a resentful peasantry. In some cases, notably that of butter, the capitalist West was blamed because it wanted food against essential machinery. Unofficial information spoke of forced food exports to Eastern Germany and stockpiling for an emergency.

Under such conditions, it seemed unlikely that the standard of living could have improved as fast as had been claimed, at any rate in the course of 1950. At the same time, the stresses and dangers must have been very real if judged by the scope and severity of the measures that were introduced to counteract them. Very great efforts were made to bring in the harvest and have it in the safekeeping of the government. It was decided to strengthen the state-controlled sector of agriculture and notably to build up a systen of state dairy farms and fattening plants around the capital to ensure safe supplies of milk and other animal products. Large-scale purges were organized in trade-
661 unions and factories to improve discipline and increase output.
362 Efforts were made to encourage private savings by the launching of a cooperative housing scheme followed up with much vigor.

[1] [Statement of the Chairman of the People's Economic Council, cf. Cat. 116, p. 61 — Analyst].

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

Soon after the warning of the Chairman of the People's Economic Council, a new wage system was introduced which reduced earnings unless output was stepped up considerably. The wage-reducing effect of the new piece-rates was first denied but later openly admitted. It led to widespread resentment expressed in wage frauds, the slackening of work competition and acts of sabotage which prompted the government to resort to strong measures. A new decree was issued to protect social property, threatening the death penalty to those responsible for serious damage. Together with the revision of wage rates, the terms of the work competition were made stricter and control was tightened. Identification cards were introduced showing a record of employment, and unauthorized changes of jobs brought punishment. "Social tribunals," consisting of workers and party representatives, were set up to deal with slackness, lack of discipline, and minor frauds while ordinary courts began passing sentences of several years imprisonment for relatively minor wage frauds. The reform of the criminal law made a socially dangerous attitude a crime liable to punishment, and introduced forced labor as a method of punishment.

All this fits very unconvincingly into the picture of greatly improved standards of living. One is led to suspect that the true rate of improvement must have been very much below that claimed, if attempts to slow down the rate and lower the level could have evoked such widespread and serious resentment as indicated by the severe retaliatory measures.

Nevertheless, there was no slackening in the execution of the investment program. Recent announcements speak of even speeding up investments scheduled for 1950 by 0.9 billion forints, that is, by about 10 percent. But 38 percent of the additional investments were to be spent on housing, cultural and welfare schemes, 43 percent on railway and road construction, the rest on agriculture.

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

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APPENDIX A

TABLES

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Table I

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PLANNED AND ACTUAL INCREASES IN THE NATIONAL INCOME UNDER THE THREE YEAR AND FIVE YEAR PLANS

(Billion Forints)

	1938	1946-47	1947-48	1948-49	1949-50 (1949)	1950	1954
Volume at January Prices							
Planned	---	---	18.247[a]	21.585[a]	24.844[a]	29.600[b]	43.700[b]
Actual	21.623	13.989	18.746	N.A.	26.809[b]		
Nominal Value at Current Prices							
Actual	24.100[c]	16.100	26-27.0	N.A.	39.0		
Percentages of Volume							
Planned	100	65	85	100	115	137	202
		100	131	155	178	212	312
			100	118	136	158	232
				100	115	137	202
					100	110	163
Actual	100	65	87	N.A.	124		
		100	138	N.A.	192		
			100	N.A.	143		
Percentages of the Nominal Value	100	67	110	N.A.	162		

a. Based on official figures but adjusted to make them conform with the figures given in the report.

b. Computed on the basis of the percentage increase over 1938 as given in an official paper.

c. Expressed at 1946-47 average prices.

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Table II

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INVESTMENTS, ACCORDING TO CHARACTER OF INVESTMENTS AND INVESTORS UNDER THE THREE YEAR PLAN

Million Forints (Current Value)

	Total	State	Other Public Bodies	Foreign	Cooperatives	Private
First Year, 1947-48						
Agriculture[a]						
Budgeted	579.4	476.0	34.7	-	27.1	41.6
Actual	688.0	440.9	53.3	-	20.5	173.2
Industry						
Budgeted	554.0	417.9[b]	43.9	36.3[c]	1.4	54.5[b]
Actual	792.0	495.4	13.9	101.0	-	81.7
Transportation						
Budgeted	427.3	328.3	75.9	6.2	2.1	14.8
Actual	545.4	393.5	42.9	-	0.8	8.2
Building						
Budgeted	235.3	104.3	115.1	-	5.4	10.5
Actual	468.7	235.8	219.6	-	0.7	12.6
TOTAL						
Budgeted	1,796.0	1,326.5[b]	269.6	42.5[c]	36.0	121.4
Actual	2,494.1	1,565.6	529.7	101.0	22.0	275.7[b]
Total, 1947-1949						
Agriculture[a]						
Budgeted	2,000.0	1,358.0	197.1	-	208.0	236.9
Actual	2,990.0	N.A.	N.A.	N.A.	N.A.	N.A.
Industry						
Budgeted	1,745.0	1,239.2	158.5	130.0	5.2	212.1
Actual	3,250.0	N.A.	N.A.	N.A.	N.A.	N.A.
Transportation						
Budgeted	1,676.0	1,305.2	284.0	21.1	12.3	53.4
Actual	1,980.0	N.A.	N.A.	N.A.	N.A.	N.A.
Building						
Budgeted	1,164.0	484.5	536.0	-	55.0	88.5
Actual	1,840.0	N.A.	N.A.	N.A.	N.A.	N.A.
TOTAL						
Budgeted	6,585.0	4,386.9	1,175.6	151.1	280.5	590.9
Actual	10,300.0[d]	N.A.	N.A.	N.A.	N.A.	N.A.

Source: National Planning Office, The Hungarian Three Year Plan (Hung.); Report on the First Year of the Three Year Plan (Hung.); Final Report on the Three Year Plan, Hungarian Central Statistical Office, Statistical Review (Hung.) 1950, Vol. XXVII. Nos. 1-2, pp. 75.

Note: The figures have been rounded off and do not always add up to the totals.

a. As stated officially, about half of the investments under Agriculture ought to have been listed under the other headings.

b. Private investments in manufacturing industry prior to nationalization, 142 million forints, listed under State investments. True State investments 1,324 million forints, true private investments 418 million forints.

c. Soviet - Hungarian Companies: 27.5 million forints, Foreign Credits 73.5 million.

d. Including 258 million forints other investments (Distribution, etc.).

Table III

BUDGETED INVESTMENTS: ACTUAL AND PLANNED INCREASES IN PRODUCTION

	Budgeted Investments, 1000 Fl.				Percentage Increase in Volume of Production			
	Total		Per Year		Actual		Planned	
	Three Year Plan[a]	Five Year Plan[b]	Three Year Plan[a]	Five Year Plan[b]	1946=100	1949	1949=100	1954
Mining	493	2,465	164	493	100	142	100	155
Metallurgy	58	4,723	19	945	100	154	100	195
Power	200	3,285	66	657	100	156	100	194
Manufacturing								
Iron and Steel	139		46					
Engineering	413	5,150	138	1,030	100	258	100	198
Clay, Earthenware	11	618	4	124	100		100	215
Glass	5	16	2	3	100	219	100	136
Chemicals	252	1,934	84	387	100	213	100	238
Leather	8	139	2	28	100	226	100	178
Rubber	---	62	---	12	100	N.A.	100	254
Wood	8	78	2	16	100	279	100	178
Paper	15	165	5	33	100	255	100	156
Printing	7		2		100	200	100	152
Textiles	84	1,051	28	210	100	494	100	350
Clothing	---	119	---	24	100	370	100	170
Food	22	1,383	7	277				
Total	964	10,715	320	2,144	100	268	100	192
Total Excl. Food	942	9,332	313	1,867	100	239	100	201
Grand Total	1,715	21,188	569	4,239	100	247	100	190
Grand Total Excl. Food	1,693	19,805	562	3,962	100	220	100	198
Agriculture[c]	2,000	8,000	666	1,600	100	153	100	142

Source: National Planning Office, The Three Year Plan and Final Report on the Three Year Plan; Act XXV of 1949, re the First Five Year Plan of the Hungarian People's Republic

a. January 1947 prices. b. "Plan Prices." c. Half of the investments in agriculture under the Three Year Plan ought to have been listed under other headings.

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Table IV

PRODUCTION IN MINING, METALLURGY, MANUFACTURING INDUSTRY AND AGRICULTURE 1938, 1946 - 47, 1947 - 48, 1948, 1949, 1954 (planned)

Millions of forints at January 1947 prices

	1938	1946-47	1947-48	1948[a] Aug.-Dec.	1949	1954 Planned
Mining	632.4	631.1	750.0	863.4	896.1	1,390.8
Metallurgy	511.0	439.9	541.1	620.3	679.6	1,325.2
Power	492.3	530.9	680.4	754.7	829.5	1,610.1
Manufacturing						
Iron and metal	1,292.4	2,147.8	1,570.4	1,801.7	2,351.1	10,992.5
Engineering	1,506.4		1,979.4	2,321.4	3,195.1	
Clay, earthenware	400.0	288.6	322.8	422.4	496.4	1,066.3
Glass	84.0		116.7	125.3	136.7	172.2
Chemicals	1,319.4	1,075.3	1,176.1	1,700.2	2,291.6	5,454.0
Wood	352.5	155.6	345.8	327.1	433.6	772.6
Paper	221.0	118.5	158.0	227.2	302.1	894.5
Printing	202.0	120.4	166.9	189.3	271.3	
Leather	481.4	188.6	305.2	305.2	425.6	757.6
Rubber	----	----	----	----	----	----
Textiles	2,871.5	1,589.5	2,357.5	2,618.8	3,184.5	4,840.4
Clothing	631.8	186.3	484.6	661.5	920.5	3,221.8
Food	3,702.0	1,666.6	2,839.4	4,512.7	6,160.1	10,478.3
Total	13,064.4	7,537.2	11,822.8	15,212.8	20,168.6	38,650.2
Total Excl. Food	9,362.4	5,870.6	8,983.4	10,700.1	14,008.5	28,171.9
Grand Total	14,700.1	9,139.1	13,794.3	17,451.2	22,573.8	42,976.3
Grand Total Excl. Food	10,998.1	7,472.5	10,955.9	12,938.5	16,413.7	32,498.0
Agriculture	10,434.0	5,942.0	7,492.0	9,359.0	9,078.0	12,908.0

Source: 1938 - National Planning Office, The Three Year Plan and Report on the First Year of the Three Year Plan (Hung.)
Z. Vas, The Three Year Plan, etc., Social Review (Hung.) 1950, Vol. V, No. 2, p. 131; Act XXV of 1949, re The First Five Year Plan of the Hungarian People's Republic.

Note: The figures for 1946 - 47, 1949 have been computed on the basis of percentages given in a semi-official paper. The figures for 1954 have been computed on the basis of the percentages given in the act embodying the First Five Year Plan. The original values given in the act are based on "Plan Prices."

a. Expressed on a per year basis.

APPENDIX A

Table Va

PRODUCTION IN MINING, METALLURGY, MANUFACTURING INDUSTRY AND AGRICULTURE

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1938, 1946-47, 1947-48, 1948, 1949 and 1954 (planned)

Percentages, 1938 = 100

	1938	1946-47	1947-48	1948 Aug.-Dec.	1949	1954 Planned
Mining	100	99	118	136	141	219
Metallurgy	100	86	106	121	133	259
Power	100	108	138	153	168	327
Manufacturing industry						
Iron and steel	100	77	121	139	182	393
Engineering	100		131	154	212	
Clay, brick, earthenware	100	60	81	106	124	262
Glass	100		158	148	163	205
Chemicals	100	81	89	129	174	413
Textiles	100	55	82	91	111	169
Clothing	100	29	77	105	146	510
Leather	100	39	63	63	88	177
Wood	100	44	98	93	123	219
Paper	100	54	71	103	137	211
Printing	100	60	83	94	134	
Food	100	45	77	122	166	283
Total	100	58	98	116	155	384
Total Excl. Food	100	63	96	114	150	301
Grand Total	100	62	94	119	153	292
Grand Total Excl. Food	100	68	99	118	149	295
Agriculture	100	53	72	90	87	124

Source: Based on Table IV

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

Table Vb

PRODUCTION IN MINING, METALLURGY, MANUFACTURING INDUSTRY AND AGRICULTURE

1946-47, 1947-48, 1948-49, 1949 and 1954 (planned)

Percentages, 1946-47 = 100

	1946-47	1947-48	1948 Aug.-Dec.	1949	1954 Planned
Mining	100	119	137	142	220
Metallurgy	100	123	141	154	301
Power	100	128	142	156	303
Manufacturing industry					
Iron and steel	100	165	192	258	511
Engineering	100				
Clay, brick, earthenware	100	152	190	185	429
Glass	100				
Chemicals	100	109	158	213	507
Textiles	100	148	165	200	305
Clothing	100	260	358	494	1,729
Leather	100	162	162	226	402
Wood	100	222	210	279	497
Paper	100	133	192	255	374
Printing	100	130	157	225	
Food	100	170	271	370	629
Total	100	157	202	268	513
Total Excl. Food	100	153	182	239	480
Grand Total	100	151	191	247	470
Grand Total Excl. Food	100	147	173	220	435
Agriculture	100	136	170	166	234

Source: Based on Table IV

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Table VI

PRODUCTION OF PRINCIPAL GOODS IN 1938, 1946-47 AND UNDER THE THREE YEAR AND FIVE YEAR PLANS

	Units	Actual Production				Planned
		1938	1946-47	19[illegible]	1949	1954
Iron Ore	1,000 Tons	297.0	214.3	258.3	339.0	N.A.
Bauxite	1,000 Tons	540.0	248.1	400.0	561.0	N.A.
Coal	1,000 Tons	9,340.0	7,747.0	9,856.3	11,834.0	18,500.0
Oil	1,000 Tons	43.0	642.3	496.2	502.0	N.A.
Pig Iron	1,000 Tons	335.0	258.0	343.0	428.0	960.0
Steel	1,000 Tons	647.0	510.0	718.8	846.0	1,600.0
Aluminum	1,000 Tons	1.3	3.7	7.5	14.4	N.A.
Power	Million KW Hrs.	1.4	N.A.	1.9	2.2	4.3
Machine Tools	Million Forints	4.9	N.A.	69.5	150.0	610.0[a]
Railway Trucks	Million Forints	104.0	N.A.	251.1	333.0	N.A.
Railway Trucks	Units	N.A.	N.A.	N.A.	4,850.0	10,000.0
Railway Engines	Million Forints	35.2	N.A.	187.7	113.0	520.0[a]
Trucks	Million Forints	88.0	N.A.	21.9	167.0	N.A.
Trucks	Units	N.A.	N.A.	439.0	3,200.0	9,000.0
Tractors	Million Forints	20.0	N.A.	32.5	N.A.	N.A.
Tractors	Units	2,600.0	N.A.	1,160.0	N.A.	4,600.0
River Craft	Million Forints	30.0	N.A.	61.2	96.0	90.0
Agricultural Machinery	Million Forints	30.4	N.A.	116.0	100.9	N.A.
Bicycles	Million Forints	44.5	N.A.	61.0	126.0	N.A.
Bicycles	Units	N.A.	N.A.	101,600.0	3,200.0	9,000.0
Motor Bicycles	Million Forints	4.1	N.A.	5.8	29.7	N.A.
Motor Bicycles	Units	N.A.	N.A.	2,513.0	12,000.0	23,000.0
Cement	1,000 Tons	339.0	142.9	281.0	551.0	1,051.0
Sheet Glass	Million Meters[a]	1.6	3.1	4.4	3.9	N.A.
Blown Glass	1,000 Tons	14.0	N.A.	18.6	19.7	N.A.
Caustic Soda	1,000 Tons	2.7	N.A.	3.6	8.2	9.7
Phosphate Fertilizer	1,000 Tons	43.0	N.A.	35.4	89.6	339.0
Nitrogenous Fertilizer	1,000 Tons	37.0	N.A.	21.4	67.2	307.2
Vegetable Oils	1,000 Tons	19.0	N.A.	23.0	34.5	89.5
Paper	1,000 Tons	49.5	N.A.	47.4	72.1	100.2
Cotton Fabrics	Million Meters	185.0[b]	107.7	176.1	220.5	311.5
Woolen Fabrics	Million Meters	14.0	6.6	12.9	17.5	28.4
Leather Shoes	Million Pairs	3.5	N.A.	3.7	N.A.	9.0

Source: National Planning Office, The Three Year Plan and Report on the First Year of the Three Year Plan; Z. Vas, The Three Year Plan, etc., Social Review (Hung.) 1950, Vol. V, No. 2, p. 131; Act XXV of 1949, re the First Five Year Plan of the Hungarian People's Republic, (Hung.); National Bank of Hungary Monthly Bulletin, (Hung.) 1947 Vol. XXI, Nos. 7-8, p. 311.

Note: The figures of 1949 were computed on the basis of percentages, those for 1954 on the basis of percentages or expected absolute increase in production. All values, unless marked, at January 1947 prices.

a. Plan prices.

b. Owing to some double counting, true output was about 168.0 million meters.

8: Schweng S-4, 5 (no date) 1951 EC1 Hungary EC1

Table VII

VOLUME OF GOODS AVAILABLE FOR CONSUMPTION
1938, 1946-47, 1947-48, 1949-50, 1950, 1954 (planned)

Billion forints at January 1947 prices

	1938	1946-47	1947-48	1949-50 (1949)	1950	1954
National Income	21.623	13.989	18.746	(26.809)	(29.600)	(43.700)
Balance of foreign trade	-1.103	.118	.440	N.A.	(-)	(-)
Total	20.520	14.107	19.186	(26.809)	(29.600)	(43.700)
Operational expenditure of public authorities	2.830	.916	1.655	(2.000)	(3.000)	(4.000)
Reparations, etc.	-	1.436	1.223	(.600)	(.600)	(-)
Investments	1.205	.530	1.987	(4.800)	(6.300)	(9.400)
Increase in livestock	.168	.182	.387	(.500)	(.500)	(.500)
Grand Total	16.317	11.033	13.934	(18.909)[a]	(19.200)	(29.800)
Increase in inventories						
Social Democratic Plan	(.726)[c]	(.8-.900)[d]	2.091	1.971	(2.000)[e]	(3.000)
Planning Office			.770[f]	.900[f]		
(Nagy, op. cit.)				(1.500)		

Source: National Planning Office, Report on the First Year of the Three Year Plan (Hung.) and Final Report on the Three Year Plan; J. Judik, The Three Plan, Hungarian Economic Review, 1947, Nos. 1-2, p. 32, Act XXV of 1949 re the First Five Year Plan of the Hungarian People's Republic.

Note: The figures for 1949, 1950 and 1954 are estimates, based on incomplete official data.

a. A Memorandum of the Hungarian Institute for Economic Research gives 16.913 billion forints. The provisional estimate of the Planning Office was 17.170. Both estimates were made at the end of 1948 and the latter took no account of the increase in inventories.

b. The text of the Five Year Plan gives the figure as 185 percent of prewar. It also says that it will be 140 percent of 1949, which would give 23.0 billion for 1949. Presumably the first figure is expressed in January 1947 prices, the second in the new Plan prices.

c. Cf. Judik, op. cit., p. 33.

d. Hungarian Institute for Economic Research, Report on the Economic Situation, No. 54, p. 168.

e. Assuming that stocks had reached about prewar level and that, as before the war, about one third of the investments were required to increase inventories.

f. Both in comparison with prewar and with the Social Democratic Plan, the figures seem to be much too low.

Table VIII

PRICE RATIOS UNDER THE THREE YEAR AND FIVE YEAR PLANS

	1948 Output At January 1947 Prices	1949 Actual Output		Planned Output, 1954			"Plan Prices"
		1938=100	At January 1947 Prices	1949=100	At Jan. 1947 Prices	At "Plan Prices"	Jan. 1947 Prices
	Million Forints	Percentages	Million Forints	Percentages	Million Forints		Percentages
Mining	642.4	139.5	896.1	155.2	1,390.8	2,153	155
Metallurgy	511.0	133.0	679.6	195.0	1,325.2	4,723	356
Power	492.3	168.5	829.5	194.1	1,610.1	1,611	100
Manufacturing							
Iron & Metal	1,292.4	181.9	2,351.1	198.2	10,992.5	11,559	105
Engineering	1,506.4	212.1	3,195.1				
Clay, Earthenware	400.0	124.1	496.4	214.8	1,066.3	1,149	108
Glass	84.0	162.7	136.7	126.0	172.2	361	207
Chemicals	1,319.4	174.0	2,291.6	238.0	5,454.0	4,843	89
Leather	481.4	88.4	425.6	178.0	757.6	1,500	198
Wool	352.5	123.0	433.6	178.4	772.6	969	125
Paper	221.0	136.7	302.1	156.0	894.5	1,357	152
Printing	202.0	134.3	271.3				
Textiles	2,871.5	110.9	3,184.5	152.0	4,840.4	9,267	192
Clothing	631.8	145.7	920.5	350.0	3,221.8	2,609	81
Food	3,702.0	166.4	6,160.1	170.1	10,478.3	9,300	87
Total	13,064.4	154.4	20,168.6	191.6	38,650.2	42,814	111
Total Excl. Food	9,362.4	149.6	14,008.5	201.1	28,171.9	33,514	119
Grand Total	14,710.1	153.4	22,573.8	190.0	42,276.3	51,301	119
Grand Total Excl. Food	11,008.1	149.1	16,413.7	198.0	32,498.0	42,001	129

Source: National Planning Office, The Three Year Plan and Final Report on the Three Year Plan, (Hung.); Act XXV of 1949, re the First Five Year Plan of the Hungarian People's Republic (Hung.).

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APPENDIX B

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[For description and analysis of Hungarian economic planning since 1938, see category 116, pp. 1-75.]